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SMALL ROYALTY OWNERS EXEMPTION FROM THE WINDFALL PROFIT TAX

HEARINGS

BEFORE THE

SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT GENERALLY

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

NINETY-SIXTH CONGRESS

SECOND SESSION

ON

S. 2521

A BILL TO AMEND THE INTERNAL REVENUE CODE OF 1954 TO PROVIDE MORE EQUITABLE TREATMENT OF ROYALTY OWNERS UNDER THE CRUDE OIL WINDFALL PROFIT TAX

FRIDAY, MAY 23 AND THURSDAY, JULY 17, 1980

Printed for the use of the Committee on Finance

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SMALL ROYALTY OWNERS EXEMPTION FROM THE WINDFALL PROFIT TAX

FRIDAY, MAY 23, 1980

U.S. SENATE,
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT
GENERALLY OF THE COMMITTEE ON FINANCE,
Edmond, Okla.

The committee met at 9:20 a.m., pursuant to notice, in Hardeman Auditorium, the Garvey Center, Hon. David Boren, presiding.

Present: Senators Boren and Dole.

[The press releases announcing these hearings and the bill S. 2521 follow:]

[Press Release May 9, 1980]

FINANCE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT SETS HEARINGS ON EXEMPTING SMALL ROYALTY OWNERS FROM WINDFALL PROFIT TAX

Senator Harry F. Byrd, Jr., Chairman of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance, announced today that the Subcommittee will hold two hearings on Friday, May 23, 1980. Senator Byrd noted that Senators Boren and Dole will preside at the hearing.

The first hearing will begin at 9:00 a.m. in the underground tunnel auditorium between the Sequoyah and Will Rogers Buildings, the State Capitol Complex, Oklahoma City, Oklahoma. The second hearing will begin at 2:00 p.m., at the Great Bend Municipal Auditorium, Williams & Lakin Streets, Great Bend, Kansas.

The hearings will examine the impact of the Crude Oil Windfall Profit Tax Act of 1980 on royalty owners, independent producers, and future domestic oil production. The Subcommittee will specifically focus on S. 2521 introduced by Senators Dole, Boren, Wallop, Bentsen, Bellmon, Domenici, McClure, Tower, and Kassebaum. S. 2521 would entirely exempt royalty owners from the windfall profit tax for up to a total of 10 barrels per day of royalty interest.

Senators Dole and Boren said "It is clear to us that the windfall profit tax will cause massive inequities. It taxes small royalty owners at the same rate as Exxon and the other oil industry giants. Many royalty owners in Kansas and Oklahoma—farmers and others—are dependent on the modest royalty checks they receive to help them weather the currently unfavorable farm market. Also, there is a sizable number who are retired and depend on their checks to supplement their Social Security payments. It is difficult to justify why these people should be subject to the tax at all. These are precisely the people we would like to hear from when we are in Kansas and Oklahoma."

Witnesses who desire to testify at either hearing must submit a written request, including the location at which they wish to testify, a mailing address, and phone number, to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C., 20510, by no later than the close of business on May 19, 1980.

Legislative Reorganization Act.—Senator Byrd stated that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress "to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument."

Witnesses scheduled to testify should comply with the following rules:

(1) 100 copies of the statement must be submitted at the hearing on the day the witness is scheduled to testify.

(2) All witnesses must include with their written statement a summary of the principal points included in the statement.

(3) The written statements must be typed on letter-size paper (not legal size).

(4) Witnesses are not to read their written statements to the Subcommittee, but are to confine their oral presentations to a summary of the points included in the statement.

Written statements.—Witnesses who are not scheduled to make an oral presentation, and others who desire to present their views to the Subcommittee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearings. These written statements should be typewritten, not more than 25 double-spaced pages in length, and mailed with five (5) copies to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510, not later than Friday, June 20, 1980.

[Press Release May 16, 1980]

FINANCE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT CHANGES LOCATION OF HEARING ON EXEMPTION OF SMALL ROYALTY OWNERS FROM WINDFALL PROFIT TAX

Senator Harry F. Byrd, Jr. Chairman of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance, announced that the location of the hearing on exempting small royalty owners from the Windfall Profit Tax scheduled for 9:00 A.M., May 28 in Oklahoma City, Oklahoma has been changed.

The hearing will now be held at the Hardeman Auditorium in the Garvey Fine Arts Center, Oklahoma Christian College, Oklahoma City, Oklahoma. The time and the date remain unchanged. (See Press Release #H-24 for earlier announcement and details concerning requests to testify and submission of written comments).

96TH CONGRESS
2D SESSION

S. 2521

To amend the Internal Revenue Code of 1954 to provide more equitable treatment of royalty owners under the crude oil windfall profit tax.

IN THE SENATE OF THE UNITED STATES

APRIL 2 (legislative day, JANUARY 3), 1980

Mr. Dole (for himself, Mr. Boren, Mr. Bellmon, Mr. Wallop, Mr. Bentsen, Mr. Domenici, Mr. McClure, Mr. Tower, and Mrs. Kassebaum) introduced the following bill; which was read twice and referred to the Committee on Finance

---

A BILL

To amend the Internal Revenue Code of 1954 to provide more equitable treatment of royalty owners under the crude oil windfall profit tax.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. ROYALTY OWNER EXEMPTION.

(a) IN GENERAL.—Subsection (b) of section 4991 of the Internal Revenue Code of 1954 (relating to exempt oil) is amended—

(1) by striking out "and" at the end of paragraph (3),

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a comma and the word "and", and

(3) by adding at the end thereof the following new paragraph:

"(5) any exempt royalty owner oil.".

(b) Royalty Owner Oil.—Section 4994 of such Code (relating to definitions and special rules relating to exemptions) is amended by adding at the end thereof the following new subsection:

"(f) Exempt Royalty Owner Oil.—

"(1) General rule.—For purposes of this chapter, the term 'exempt royalty owner oil' means that portion of a royalty owner's exempt production for the quarter which does not exceed such person's exempt amount for such quarter.

"(2) Exempt amount.—For purposes of this section—

"(A) In general.—A person's exempt amount for any quarter is the product of—

"(i) 10 barrels, multiplied by

"(ii) the number of days in such quarter (31 in the case of the first quarter of 1980).

"(B) **Production exceeds amount.**—If a person's exempt production for any quarter exceeds such person's exempt amount for such quarter, the exempt amount shall be allocated—

"(i) between tiers 1 and 2 in proportion to such person's production for such quarter of domestic crude oil in each such tier, and

"(ii) within any tier, on the basis of the removal prices for such person's domestic crude oil in such tier removed during such quarter, beginning with the highest of such prices.

"(3) **Exempt production defined.**—For purposes of this section, a royalty owner's exempt production for any quarter is the number of barrels of taxable crude oil—

"(A) of which such person is the producer,

"(B) which is removed during such quarter, and

"(C) which is tier 1 oil or tier 2 oil.

"(4) **Royalty owner.**—For purposes of this section, the term 'royalty owner' means any person who is the holder of any royalty or similar interest.

"(5) **Allocation within related group.**—

"(A) In general.—In the case of persons who are members of the same related group at any time, the 10 barrel amount contained in paragraph (2)(A)(i) for days during such quarter shall be reduced for each such person by allocating such amount among all persons in proportion to their respective exempt production for such quarter.

"(B) Related group.—For purposes of this subsection, persons shall be treated as members of a related group if they would be treated as members of a related group under section 4992(e).

"(C) Members of more than 1 related group.—If a person is a member of more than 1 related group during any quarter, the determination of such person's allocation under subparagraph (A) shall be made by reference to the related group which results in the smallest allocation for such person.".

SEC. 2. EFFECTIVE DATE.

The amendments made by section 1 of this Act shall apply with respect to taxable periods ending after February 29, 1980.

Mr. Boren. We will officially open the hearings at this time. These are official Committee on Finance hearings of the U.S. Senate.

I have with me conducting these hearings today Senator Robert Dole of Kansas who is the ranking Republican member of the Senate Finance Committee.

He and I joined together and are sponsoring this bill.

I am very proud to have him come to Oklahoma and be here for these hearings.

I might mention to you that he and I joined together in another effort. The day that the windfall profit bill was passed we made one last effort. Senator Dole and I together offered a motion to send the bill back to committee with the purpose of taking the royalty owners out.

We only got 36 votes out of 100 in that particular motion, but since that time some of those who voted against us on that occasion have now agreed to cosponsor the bill we are discussing this morning. So they have changed their views. That gives us cause for optimism.

Senator Dole has worked on this problem; and for the last 6 months in the Senate as the tax bill was discussed, I can tell you that hardly a day passed through that entire period that he did not try to bring to the attention of our colleagues in the Senate the problems that the royalty owners would have under this tax.

So he just doesn't come to us this morning with a recent interest. This is something that he has fought hard for over the past several months.

I am going to call on him now to give his opening statement and to say to you, Bob, that we are very, very grateful—and I am sure that I speak for everyone here—for your interest and your willingness to come to Oklahoma and help us conduct these hearings.

Senator Robert Dole.

Mr. Dole. Senator Boren, I appreciate your remarks very much.

I don't belong to any organized group. I am a Republican.

But I think that underscores the bipartisanship that is taking place right now. Support for this bill is not a matter of politics, whether you are a Democrat or Republican.

Senator Boren and I belong to different parties, but I think we have pretty much the same philosophy. We are reminded of this fact almost daily on the Senate floor.

In fact I think yesterday one of our colleagues was over there making a big speech, and he wound his speech up by saying, "Now gentlemen, let me tax your memories."

Somebody else jumped up and said, "Why haven't we thought of that before?"

I think they had thought of just about everything, and then they came along with the windfall profit tax, which I think was a grievious mistake.

But I would say this. I think the deep-felt concern about this issue is indicated by the number of people here today.

I recall a recent survey taken in my State where the pollster knocked on this man's door, and the man came to the door. The pollster asked him after a number of questions, "What do you think is the greatest problem in America today, ignorance or apathy?"

He thought about it awhile, and he said, "I don't know; and I don't care."

That is the problem in many cases, but that is not the problem here this morning.

I share Senator Boren's view that I hope we can demonstrate to our committee chairman and to others in the executive branch and other Members of Congress in both parties that we are not talking about big oil companies.

I am not certain of how many presidents of major oil companies are in the audience this morning, but I didn't see too many as I walked down the aisle.

Many people in this audience did not even know the tax would apply to them. It is really not their fault because they were told by a lot of people that the windfall profit tax was a tax on big oil companies and you don't consider yourselves as being in that definition.

I see some signs in the back of the hall here today that indicate my view. One says, "We are being robbed" the other "Stop the Windfall Tax."

I would ask permission to put my entire statement in the record.

I just believe the windfall profit tax has turned out to be a cruel hoax on the American people. It is not a tax on profits at all, but an extremely complicated excise tax imposed at the wellhead on crude oil produced in the United States.

It is not energy legislation. Rather it is the largest single revenue bill ever enacted by Congress.

It is clear that the principal beneficiary of any "windfall" is the Federal Government which will receive, by conservative estimates, $227 billion in new revenues from this tax over the next 11 years.

To underscore again that we are talking about little people: farmers, landowners and others who bought royalty interests to supplement their social security income, I will give you just a few examples from my State.

I am certain there are many others here with similar situations. I have received as has Senator Boren, hundreds of letters and telephone calls from royalty owners who are suffering as a result of this tax.

For example, I have heard from an 80-year-old couple from Eldorado, Kans., who have not had to pay income taxes in past years and who depend on their royalty income to supplement their social security. Nevertheless, this couple was dismayed to find their royalty check cut by one-third by this tax.

I have also received similar accounts from a divorced mother of two children from Wichita, a disabled gentleman from Hutchinson, and civil service retiree from McPherson and from countless small farmers who are also victimized by high interest rates and low farm prices.

As Senator Boren has stated, on the same day that the windfall profit tax was signed into law we introduced this 10-barrel-per-day exemption for royalty owners to indicate our contempt for the bill. It is our hope that the Senate and the Congress in its wisdom would understand that this legislation hits more than big oil companies. We are not talking about somebody who produces oil, refines it and sells it at the pump and therefore could pass the cost of this tax on.

We are talking about landowners and others who have the tax taken out before they ever see their check.

This bill is, hopefully, a step in the right direction. I want to thank Senator Boren for his hospitality and for the work that has gone into this hearing. I thank his staff and our staff.

This is an official hearing of the Senate Finance Committee. It is not a partisan hearing. It is not an effort to attack anyone in the administration or out.

It is an effort to make a record to demonstrate to our colleagues it is an unjust, unfair tax. There ought to be some relief to royalty owners and independent producers.

We hope that we can find testimony here today to strengthen our case. Thank you.

Mr. **Boren**. Thank you very much, Senator Dole.

I want to make a brief opening statement for the record so that our colleagues on the committee will have a full record of what has gone on and the effects of the windfall profit tax on the royalty owners.

People often associate the windfall profit tax with the effect it will have on major international oil companies. They are beginning to realize that this bill does not tax profits. It simply taxes oil produced inside the United States, and all Americans will end up footing the bill.

The small domestic independent producers will be especially hard hit. For every additional $1 per gallon paid for gasoline at a pump by the American motorists, almost 90 cents of that additional dollar will end up going to Government in taxes. Only 10 cents will be used by private enterprise to produce more energy.

I have often said, so the people of the country will know who to thank for being able to pay that additional dollar and have 90 cents of it go in taxes, they ought to put the names of all those on the pump who voted for this tax increase so people will know who to thank.

The results for this Nation will be tragic. Instead of more energy we will just be getting higher taxes, more Government spending and more bureaucracy, all of which we certainly don't need.

The group which will suffer most of all is the small royalty owners who own the minerals which are being produced.

Many of these royalty owners are farmers and ranchers who are already in serious economic trouble.

I wonder if we could just have all those of you who are farmers and ranchers as your major occupation of work to stand in the audience, and we can get an idea of how many are involved.

I would like for the record to show that in excess of two-thirds of those present stood.

I wonder on the other hand how many big oil men are in the audience? How many large oil producers—of let's say 300 barrels a day or more—are in the audience?

We will have the record show that no one stood.

Others are retired persons for whom their royalty checks represent an important supplement to social security.

Now I realize that some of these groups may overlap, but I wonder how many of you are now retired and are drawing social security. Would you now stand—and you use the royalty check to supplement?

Again a very large majority of the audience, the record will reflect, stood.

Many have purchased royalty interests as part of their savings for retirement. The vast majority of royalty owners have small incomes from that source, many under $100 per month.

A study by one oil company recently found that out of 31,000 royalty owners paid by their company, only 21 out of 31,000 had more than 50 barrels per day in royalty production.

Royalty owners can certainly not be classified by any thinking person as a powerful or well-organized interest group. There is no Washington office for a mineral owners association; and as far as we have been able to determine, there is not even a single composite list of all the mineral owners in the country now in existence.

Many of these small royalty owners did not even realize that their interests were to be included in the tax. In fact, the royalty owners will end up bearing a very large burden under the tax—perhaps as much as $30 billion over the next 10 years—taken from the royalty owners in this country.

Senator Dole told me last night that he estimates that there are perhaps 2 million royalty owners in the United States. A tax of 70 percent will be imposed on the price of tier one oil above $12.81 per barrel.

This will encompass most oil which was in production prior to 1978.

On tier two, which is stripper oil, the tax of 60 percent will be on that price above $15.30.

On tier three, which included newly discovered, heavy or incremential tertiary oil, the tax will be 30 percent on prices above a base of $16.55.

All of this, of course, is in addition to income tax which the recipients of royalty income already have to pay.

Senator Dole and I have made a motion to return the original bill to the committee to remove the royalty owner from the tax as I mentioned awhile ago at the time the tax was under consideration.

We were unsuccessful in an effort.

I am proud to join with him now in our effort introducing S. 2521. It will allow an exemption from the windfall profit tax for the first 10 barrels per day of a royalty owner's share of the production of crude oil.

There has been some confusion about that. You might well have a well that makes, let's say, 100 barrels. When we say a 10-barrel exemption, we are only talking about the royalty owner's share.

So the royalty owner may have an eighth, a sixteenth, or a much smaller fractional interest. So when we are talking about 10 barrels a day, that is the royalty share.

That might be the royalty share of a 300 or 400 barrel well, but we are talking about the royalty share being 10 barrels.

It is our estimate that well over 90 percent of the royalty owners in the country would obtain a total exemption from the windfall profit tax if they are given the first 10 barrels per day of production—royalty production—exempt from the tax.

If a royalty owner has more than 10 barrels per day of royalty share of production, under this bill then the 10-barrel exemption would be allocated between the three tiers according to the proportion of the royalty owner's production in these categories.

I have joined in cosponsoring several other proposals for exemptions which are more far reaching. Being practical, however, I realize it would be difficult to get these other measures considered this year because we are in essence asking our colleagues who voted for the windfall profit tax—and they won by about a 2 to 1 marging—to change their mind, at least as far as the royalty owners are concerned.

So we are trying to be practical with this bill and support a bill that we think has a chance of passing this year.

Senator Dole and I want something done now to help the royalty owners, and this bill, S. 2521, appears to be the best approach for success in the short run.

If there is any question as to the certification of production, the producer must withhold the maximum amount that might be due under the tax and then later adjust.

This also, of course, will affect the royalty owner because it may result in some overpayment of the tax in the short run.

No other group in this country has suffered such a gratuitious attack on the value of its investments as the royalty owner. There is no equitable reason for imposing such an excessive tax, especially on the small royalty owner.

This tax will represent a transfer—I am talking about the total tax now—the total windfall profit tax—will represent a transfer of $750 million from Oklahoma primarily to the Northeastern part of the United States this year, and this transfer of income from Oklahoma to other parts of the country will increase to $2 billion per year by 1981.

To put that into perspective that is larger than all of the present value of agricultural products produced in this State every year.

So when we talk about a massive income transfer of resources from our State and our part of the country to other areas, we are not exaggerating.

The Congress has made a serious mistake of passing the windfall profit tax in its current form. It has inflicted a serious blow against the best interest of our country.

The passage of S. 2521 would be a start toward correcting this mistake. I urge my colleagues in the Congress to move as quickly as possible to pass this bill.

I am now going to start with the list of witnesses who are here. Again I want to ask them—I think we have a timer, do we not? It is set for 5 minutes.

I will say to those who are coming forward any time that you can come under that you are helping insure that those who are further down the list will be sure to have a chance to testify.

Our first witness today is a gentleman who needs no introduction to this audience. He has introduced a similar bill in the House. He has already pledged to us his full support in the House of Representatives for an approach like the one we are taking in the Senate.

We are very pleased to have with us this morning Congressman Wes Watkins from the Third Congressional District of Oklahoma.

Mr. Dole. Wes, before you start I would put in the record a list of the cosponsors of S. 2521. I think some in the audience may wonder what the chances are of passing this bill.

I want to just say as Senator Boren indicated some who voted for the windfall profit tax would support this exemption. We now have 24 cosponsors, 9 Democrats and 15 Republicans: Dole, Boren, Bellmon, Wallop, Bentsen, Domenici, McClure, Tower, Kassebaum, Percy, Pryor, Simpson, Young, Cochran, Hayakawa, Heflin, Armstrong, Melcher, Helms, Laxalt, Bumpers, Johnston, Randolph, and Glenn.

This list of cosponsers is very encouraging because we really haven't started the push. I hope after a couple of these hearings that number will double. Thank you.

STATEMENT OF HON. WES WATKINS, A U.S. REPRESENTATIVE FROM THE STATE OF OKLAHOMA

Mr. WATKINS. Thank you, Senator Boren, and, Senator Dole, for providing leadership to make the public of this great Nation of ours aware of what the windfall profit tax really is.

We welcome Senator Dole to Oklahoma. I want to commend you for that leadership, Senator Boren, and providing the legislation to try to provide an end to the so-called windfall profit tax; and I think your legislation, S. 2521, which would exempt the first 10 barrels of royalty production from the tax, would do that.

I wholeheartedly support this bill; and as you know, I have introduced similar legislation in the House, H.R. 7300.

Your bill and my bill have the same intent, to provide relief for the royalty owner from the windfall profit tax.

I am sure many of our colleagues in the House and Senate voted for the windfall profit tax with the impression they were striking a blow against the big major oil companies. Unfortunately, while pinching the big boys, they slapped the little folks, the royalty owners and small independent producers.

I would like the people to know and I have got to say that all the Congressmen from Oklahoma voted against the so-called windfall profit tax.

The letters I have received from constituents in the past few weeks best demonstrates the deathly blow this tax has had on the typical royalty owners, farmers, ranchers, retirees, many widows, who are living on meager social security benefits and small monthly royalty checks.

Here are just a few examples, and I have cut those in half so we can save time. A gentleman from Holdenville writes:

> I am 80 years old and have 4 acres of royalty. I own my farm but I am unable to farm. I just have social security.
>
> I was getting $25 a month. As you can see by the deposit slip, they have taken about all of it.

A retired couple in Ardmore who in their young years struggled, saved, and borrowed money to purchase mineral rights as a source of supplemental income for their old age. They say:

> They are simply taking bread off our table, and very badly needed medicine off our shelves. This action put us on the very bottom rung of the ladder financially.

A couple from Yukon who write:

> We are both past 65 living on fixed income, and we get a royalty check each month. This past month the gross amount was $77 from which $34 was withheld

for the windfall profit tax. That amount would have made a payment on a kitchen range which we badly need, and therefore it has been put aside.

A 71-year-old lady from Duncan whose monthly income was $228 plus a royalty check of about $100. Last month her royalty income dropped $30 because of the windfall tax. In addition to her regular living expense each year she pays $114 homeowners insurance, $54.69 for two medicare supplemental policies, and $16.90 for two cancer policies. She also owes a $628 carpet bill and needs new eyeglasses. She is having to put a lot of this off as we well know.

These are just a few of the vivid examples of how this tax has pulled the rug out from under our older citizens who have been depending on their royalty income to help bail them out of inflation.

Senator Boren and Senator Dole, at this time I would like to add a number of other letters and not go through them in order to save time.

Mr. BOREN. Without objection they will be placed in the record.

[The material referred to follows:]

OKLAHOMA STATE BANK,
Ada, Okla., May 13, 1980.

MR. WES WATKINS,
Congressional Office,
Ada, Okla.

DEAR WES: I am enclosing, for your information, a copy of my oil run check for March, 1980, for my interest in lease known as C & L East Byng Thurman Sand Unit. The net amount of this check is $4,898.70. Also a copy of the Windfall Profit Tax Statement reflecting $1,031.71 that had been withheld.

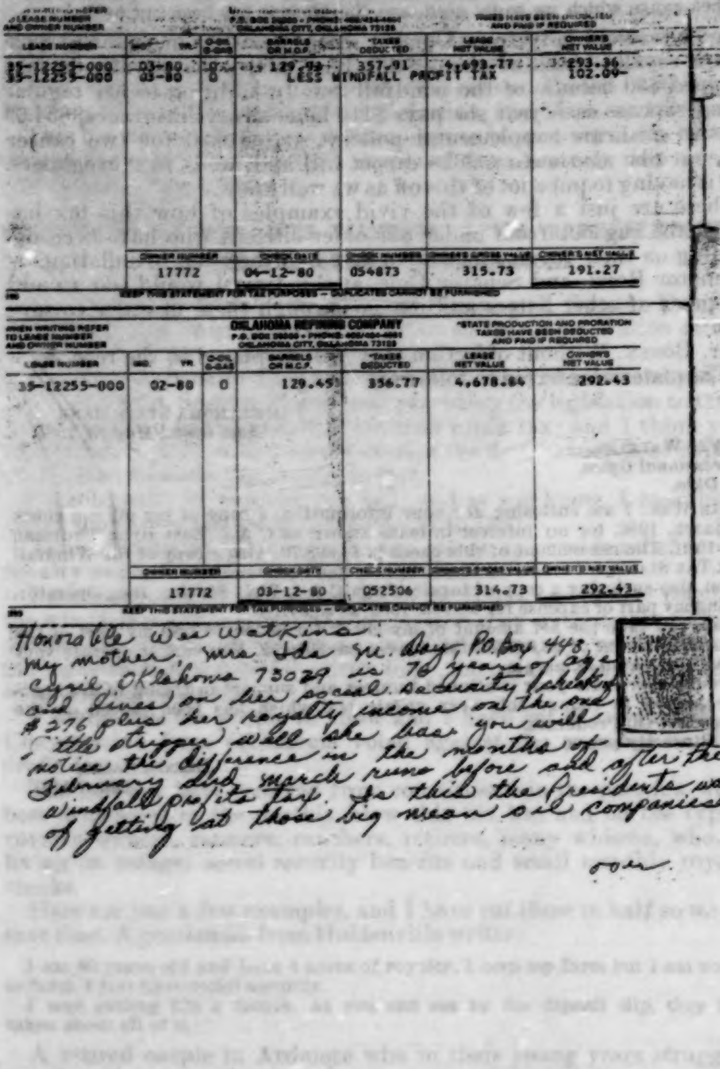
I am also enclosing a copy of invoice from C & L Well Service, Inc., Operator, showing my part of expense for March, 1980, as $3,947.98.

When you take the net amount of my check for $4,898.70 less my part of the expense in amount of $3,947.98, this leaves me $950.72. You cannot operate very long with this kind of margin.

I would appreciate your continued interest and support in trying to get legislature passed to change this very unfair tax which has been placed on the Independent Oil Producers.

Sincerely yours,

DREXEL SALES,
Ada, Okla.



WHEN WRITING REFER TO LEASE NUMBER AND OWNER NUMBER			[illegible] P.O. BOX [illegible] • PHONE: [illegible] OKLAHOMA CITY, OKLAHOMA 73125		TAXES HAVE BEEN DEDUCTED AND PAID IF REQUIRED	
LEASE NUMBER	MO. YR.	O-OIL G-GAS	BARRELS OR M.C.F.	*TAXES DEDUCTED	LEASE NET VALUE	OWNERS NET VALUE
35-12255-000	03-80	0	129.93	357.91	4,693.77	293.36
35-12255-000	03-80	0	LESS WINDFALL PROFIT TAX			102.09-

OWNER NUMBER	CHECK DATE	CHECK NUMBER	OWNER'S GROSS VALUE	OWNER'S NET VALUE
17772	04-12-80	054873	315.73	191.27

KEEP THIS STATEMENT FOR TAX PURPOSES — DUPLICATES CANNOT BE FURNISHED

WHEN WRITING REFER TO LEASE NUMBER AND OWNER NUMBER			OKLAHOMA REFINING COMPANY P.O. BOX 26666 • PHONE: 405/484-4801 OKLAHOMA CITY, OKLAHOMA 73125		*STATE PRODUCTION AND PRORATION TAXES HAVE BEEN DEDUCTED AND PAID IF REQUIRED	
LEASE NUMBER	MO. YR.	O-OIL G-GAS	BARRELS OR M.C.F.	*TAXES DEDUCTED	LEASE NET VALUE	OWNERS NET VALUE
35-12255-000	02-80	0	129.45	356.77	4,678.84	292.43

OWNER NUMBER	CHECK DATE	CHECK NUMBER	OWNER'S GROSS VALUE	OWNER'S NET VALUE
17772	03-12-80	052506	314.73	292.43

KEEP THIS STATEMENT FOR TAX PURPOSES — DUPLICATES CANNOT BE FURNISHED

Honorable Wes Watkins:
My mother, Mrs Ida M. Day, P.O. Box 448
Cyril, Oklahoma 73029 is 76 years of age
and lives on her social security check of
$276 plus her royalty income on the one
the stripper well she has. You will
notice the difference in the months of
February and March runs before and after the
windfall profits tax. Is this the Presidents way
of getting at those big mean oil companies?

over.

Wes. maybe this will give you [illegible]
ammunition to battle against this unjust Tax
against the mineral owners, such as my mother.
Thanks and we always appreciate
your efforts.

Sincerely
M Duane Day
501 W. La
Anadarko, Oklahoma
73005

A Democrat ??

Wes: on H.R. - 1885 P.L. 96-135 They excluded me because I was out of the service from March 15, 1973 to March 15, 1974, however the Mancari decision on Indian preference was not decided in Court until June 1974. There are about 40 of us Non Indians they excluded because of the difference in the 72 date and the 74 date. Could we discuss this with you at some time in the future? There are other inequities in the bill that also need attention. Thank you.

Sincerely
Duane

ELMORE CITY, OKLA., *May 15, 1980.*

CONGRESSMAN WES WATKINS,
232 Post Office Building,
Ada, Okla.

WES: We want to encourage you, to continue to work hard in your fight against the windfall profit tax.

We are small royalty owners, and the production has been on 10 acres since 1956. It has never amounted to very much the whole 23 years—perhaps $10 to $15 every 2 months.

Recently, of course it has been more however if the tax is placed on it, it will be just as if there was no price increase in oil.

We can take you to many homes in this small town, where many times only one mate is left, and where although the checks may be small, to them it means a few more groceries or medicine.

You have our whole hearted support in this as well as your entire program.

Sincerely,

EARL & OMEGA PYLE.

MARLOW, OKLA., *May 20, 1980.*

MR. WES WATKINS: I'm writing to protest the Windfall Profits Tax, it is the most unfair tax that I have ever heard of.

I am a widow and a Senior citizen trying to supplement my Social Security with my royalties checks, and I cannot understand why we should be taxed the same rate percent as the major oil companies.

This Bill 2521 by Senator Boren and Doyle would help the small investors of royalty owners but I don't see why the royalty owners should have to pay, they should be exempt, but if you can help on Bill 2521 I would appreciate it.

MRS. W. A. WARREN.

MARLOW, OKLA., *May 12, 1980.*

CONGRESSMAN WES WATKINS,
Duncan, Okla.

DEAR SIR: I wish to protest the windfall profit Tax, I listen to President when he announce it, and he said the oil company, I did not hear anything about the royality owner having to carry the burden of the tax. I do not think it is right, we already had enough tax on it. As far as engry is concern there are wells in Grady County if allow to produce to their full amount of gas, there would be no shortage of gas. I have one good one that could produce at least 5,000,000 a day. The gas company which is the largest in Okla. it don't even run in the summer time, I ask them why, they reply we are full and no place to keep it. Why then is there a shortage. I have try to talk to the Engry Dept. in Wash. D.C. I ask them they said that didnt know, and the last time I tried to talk to them they hung up on me.

Your very truly,

EVELYN M. MURRAY.

MARLOW, OKLA., *May 10, 1980.*

HON. WES WATKINS,
Duncan, Okla.

DEAR SIR: I'm writing this letter from a position of total exasperation. The Windfall Profits Tax that my elected officials, which, of course, you are one, have chosen to implement, has left me bewildered and "duped again".

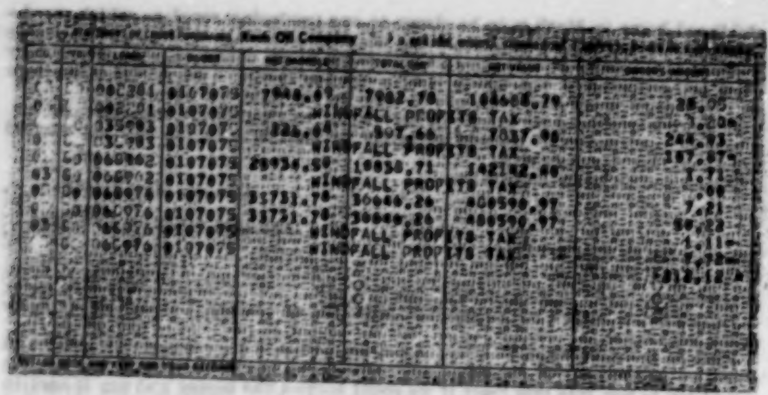
The Windfall Profits Tax is again an example of Washington's "thinking in a vacuum". It's the ever present attitude of taxing the productive and giving to the non-productive. Windfall Profit Tax is one more additive to the ever increasing tax burden that now requires more of the gross national product than ever before in history. I must assume that you are in favor of this trend.

The "war on oil companies", manifested by Windfall Profits Tax, is a Washington Sham. I happen to be a widowed, senior citizen trying to supplement my Social Security with royalty ownership and I'm the one you've declared "war on", not the major oil companies. I'm sharing the tax burden caused by Windfall Profits Tax equally with the major oil companies.

These inequities and attitudes must be remembered and dealt with at election time. The responsibility is yours.

Respectively,

FRANCES BRAZIL.



The Honorable **Wes Watkins**, *Marlow, Okla.*
Duncan, Okla.

Dear Sir: We are interested in the Windfall Profit Tax. We feel it is very unfair to the Royalty Owners.

We are a retired couple and need all the income possible we cannot live on our Social Security.

We appreciate what Senator David Boren is doing and feel we can count on your help.

Respectfully,

G. J. and Rose Robertson.

Hon. Wes Watkins, May 17, 1980.

Dear Congressman: Thanks for trying to get something done about this royalty tax.

I am 80 years old and have 4 acres royalty under this well in 36-0-0 Hughes County I own my farm but not able to farm it. Just have my social security. I was getting $25.00 per month as you can see by the deposit slips they are taking about all of it. Thanks, you are the Best.

Walter Hulsey.

May 18, 1980.

Dear Congressman Watkins: I would like to commend you on introducing the inclosed Legislation. I truly hope you are successful.

I am one of the so called "Victims" of this "Bill", a widow, receiving a moderate Social Security check. The royalty check I received each month helped some in trying to keep up with inflation. Every time you turn around the rates on gas, electric, Blue Cross and etc. have been increased. I am about to give up on being an independent person. So many of my friends are going through the same problems and we all appreciate your efforts.

We also wish something could be done to stop the graft, waste and bungling this country is going through.

Mr. Watkins you seem to be a political figure of integrity and I hope you remain a Statesman instead of a Politician.

Wishing you the best of luck in this Legislation and your future, I am,

Sincerely,

Mrs. Loudell Hall.

Marlow, Okla.
May 19, 1980.

Mr. Wes Watkins,
Duncan, Okla.

Dear Mr. Watkins:

My husband and I are 53-years-old and were forced to take disability retirement. We sold our home of 30 years in Oklahoma City and moved back to my childhood home in Marlow to be closer to our producing royalty—which we depended on very heavily to maintain our standard of living. My husband is unable to work and I have become his full-time nurse. This unfair tax has hit us very hard and I know you are trying to help out the royalty owners. We appreciate this help very much and urge you to keep up the fight for such as we.

If there is anything we can do in the way of writing letters, making calls, etc. please let us know and we will certainly be glad to help the ball get started to roll against this unfair tax.

Thank you for your cooperation.

MR. AND MRS. JIM WADE.

ARDMORE, OKLA., *May 6, 1980.*

Representative WES WATKINS,
House Office Building,
Washington, D.C.

DEAR SIR: In regard to the windfall profit tax on royalty, I would like to make a few comments.

Back in the days when I was younger, my wife and I struggled and saved and when we would hear of a three, four, or five acre tract of minerals for sale, we would try to buy into this tract if we could borrow the money and pay it back in small monthly payments. The reason for doing this was taking a chance that someday there might be production on some of these little tracts. We did this in order to supplement our very small pension and a very inadequate social security check. Many people did the same thing trying to supplement their meager income. We were lucky enough to get some small production on two of these tracts. We were living fairly comfortably before the so-called windfall profit tax. Since they are taking so much royalty tax out of our checks, it is going to be very difficult to keep our heads above water.

I received a check a few days ago and they took $242.00 out of it. They are simply taking bread off of our table and very badly needed medicine off our shelves. And this actually puts us on the bottom rung of the ladder financially.

It seems to me there should be enough brains in Washington to realize the great predicament that thousands of people are being placed in by this tax. It is very apparent that the President has been listening to the wrong people. He has some advisors that would not know an oil jack from a jersey cow. It is high time that something was done about this royalty tax. It is putting many people in a position of utter poverty.

It seems to me there should have been some amendments to this windfall profit tax, for instance: There could have been a cut-off of royalty tax to people over 65 or 70 years old. Also, an amendment could have been inserted saying the tax would not apply to people making less than $20,000 a year total income. That would give the thousands of people enough income to live half-way decently.

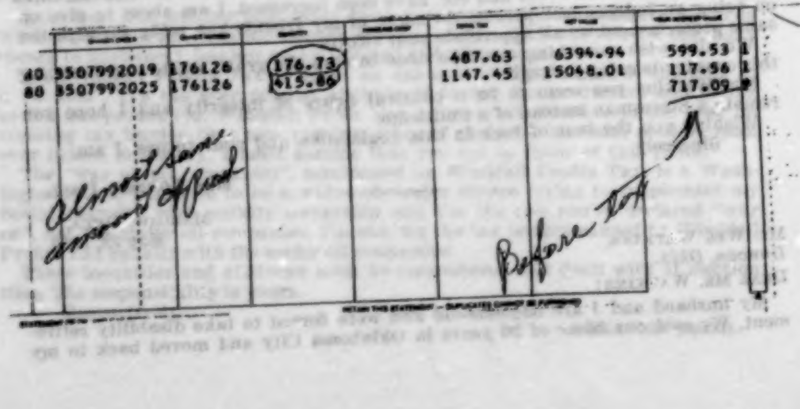
We know, Representative Watkins, that you voted against this tax. Thank you very much for fighting for our rights.

I am enclosing a copy of one check covering two leases and you can readily see the difference before and after tax.

Sincerely,

C. F. COPELAND.

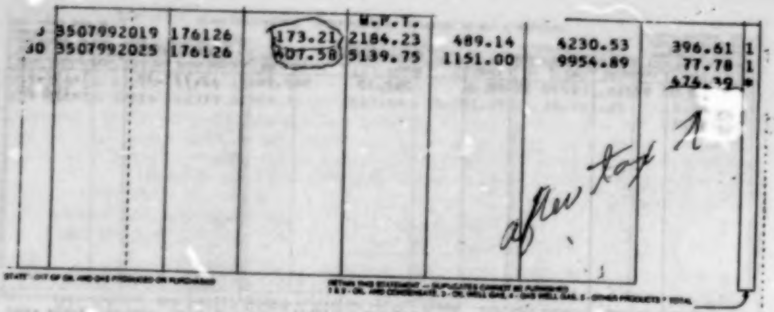
Attachment.



40	3507992019	176126	176.73		487.63	6394.94	599.53	1
80	3507992025	176126	415.86		1147.45	15048.01	117.56	1
							717.09	*

Almost same amount Affected

Before tax



				W.P.T.				
J	3507992019	176126	173.21	2184.23	489.14	4230.53	396.61	1
30	3507992025	176126	407.58	5139.75	1151.00	9954.89	77.78	1
							474.39	

after tax

HUGO, OKLA., *May 16, 1980.*

DEAR MR. WATKINS: I know that I am just whistling into the wind, that you will never see this letter.

Will you please tell me, why is the small royalty owner having to pay the windfall profit tax that was assessed against the multirich oil companies. If this is not an additional 35% tax to the little people, I don't know what it could be called.

We are each past 65, living on a fixed income, we get a royalty check each month. This past month the gross amount was $07.00 from which $34.00 was withheld for the windfall profit tax. That amount would have made a payment on a kitchen range, which we desperately need. This is not at all fair and just.

Eighty-five percent of all royalty owners are in the same boat, over 65 years of age and depend on that little check for a livelihood.

We are not sure as yet, who was responsible for this, but whoever, there needs to be some changes made and soon.

Yours truly,

MR. and MRS. LES MCABEE.

OKLAHOMA STATE SENATE,
Oklahoma City, Okla., May 12, 1980.

HON. WES WATKINS,
424 Cannon Building
Washington, D.C.

Congratulations on your proposal for an amendment to the windfall profits tax. I appreciate your concern for our constituents in Cotton, Jefferson and Stephens Counties. The mineral owners of the small stripper wells find this tax is taking 25 to 40 per cent of this income. These people had planned to use this as retirement income and it is working a great hardship on them.

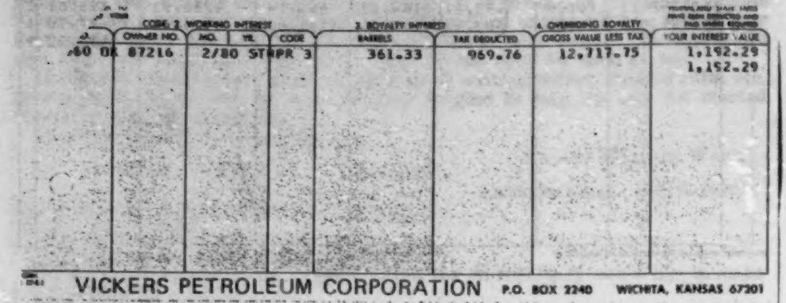
I know first hand of these hardships because my father-in-law, who is using this as a supplement to his social security, now finds himself turning to welfare and other means to keep his wife in a nursing home.

There are many people in this category who will now have to depend on the federal government to sustain their livelihood unless your amendment is successful.

Sincerely,

KENNETH LANDIS,
State Senator, District 24.

P.S. If Something isn't done on these stripper wells, the operators will shut them down.

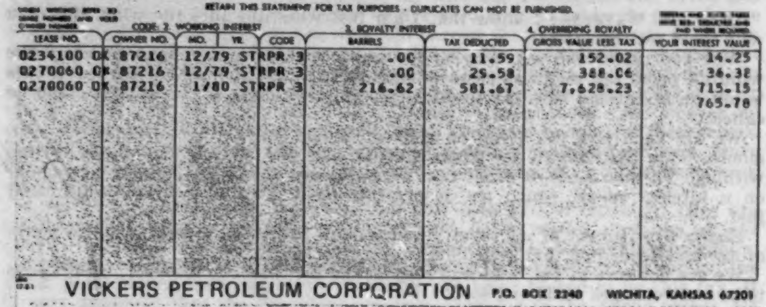


CODE: 2. WORKING INTEREST 3. ROYALTY INTEREST 4. OVERRIDING ROYALTY

FEDERAL AND STATE TAXES HAVE BEEN DEDUCTED AND PAID WHERE REQUIRED

O.	OWNER NO.	MO.	YR.	CODE	BARRELS	TAX DEDUCTED	GROSS VALUE LESS TAX	YOUR INTEREST VALUE
60 OK	87216	2/80	STRPR	3	361.33	969.76	12,717.75	1,192.29
								1,192.29

VICKERS PETROLEUM CORPORATION P.O. BOX 2240 WICHITA, KANSAS 67201



RETAIN THIS STATEMENT FOR TAX PURPOSES - DUPLICATES CAN NOT BE FURNISHED.

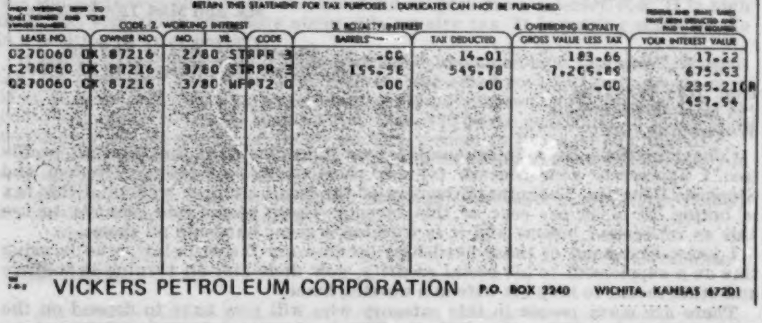
WHEN WRITING REFER TO LEASE NUMBER AND YOUR OWNER NUMBER

CODE: 2. WORKING INTEREST 3. ROYALTY INTEREST 4. OVERRIDING ROYALTY

FEDERAL AND STATE TAXES HAVE BEEN DEDUCTED AND PAID WHERE REQUIRED

LEASE NO.	OWNER NO.	MO.	YR.	CODE	BARRELS	TAX DEDUCTED	GROSS VALUE LESS TAX	YOUR INTEREST VALUE
0234100 OK	87216	12/79	STRPR	3	.00	11.59	152.02	14.25
0270060 OK	87216	12/79	STRPR	3	.00	25.58	388.06	36.38
0270060 OK	87216	1/80	STRPR	3	216.62	581.67	7,628.23	715.15
								765.78

VICKERS PETROLEUM CORPORATION P.O. BOX 2240 WICHITA, KANSAS 67201



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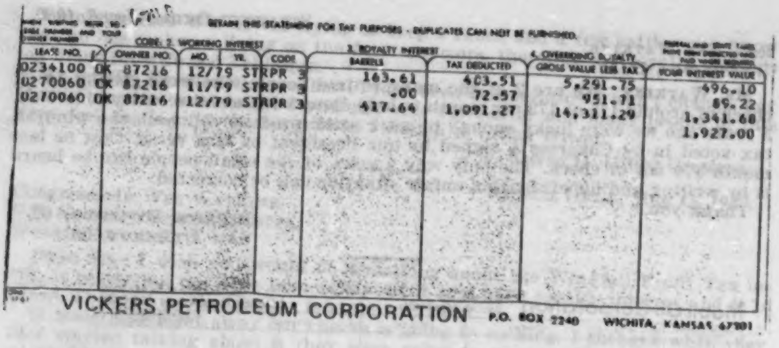
FEDERAL AND STATE TAXES HAVE BEEN DEDUCTED AND PAID WHERE REQUIRED

LEASE NO.	OWNER NO.	MO.	YR.	CODE	BARRELS	TAX DEDUCTED	GROSS VALUE LESS TAX	YOUR INTEREST VALUE
0270060 OK	87216	2/80	STRPR	3	.00	14.01	183.66	17.22
0270060 OK	87216	3/80	STRPR	3	155.58	549.78	7,205.89	675.53
0270060 OK	87216	3/80	WFPT2	0	.00	.00	.00	235.21CR
								457.54

VICKERS PETROLEUM CORPORATION P.O. BOX 2240 WICHITA, KANSAS 67201



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CODE: 2. WORKING INTEREST 3. ROYALTY INTEREST 4. OVERRIDING ROYALTY

LEASE NO.	OWNER NO.	MO.	YR.	CODE	BARRELS	TAX DEDUCTED	GROSS VALUE LESS TAX	YOUR INTEREST VALUE
0234100 OK	87216	12/79	ST	RPR 3	163.61	403.51	5,291.75	496.10
0270060 OK	87216	11/79	ST	RPR 3	.00	72.57	951.71	89.22
0270060 OK	87216	12/79	ST	RPR 3	417.64	1,091.27	14,311.29	1,341.68
								1,927.00

VICKERS PETROLEUM CORPORATION P.O. BOX 2240 WICHITA, KANSAS 67201

TO THE CONGRESS OF THE U.S.A. ARDMORE, OKLA.

DEAR SIRS: For fifty years my husband worked for an oil company. They did not have a retirement, but did let their men earn; buy some oil royalties. At the time of his death two years ago, he thought I could live comfortably on the income he left me.

Now with this new windfall tax I find my income very low and prices very high. At seventy years of age I feel this is very unfair, as I am too old to work. May I hear from you on this also what can we the small royalty owners do. Thank you.

APPILINE MCCHESNEY.

Hon. DAVID BOREN, DUNCAN, OKLA., *May 11, 1980.*
U.S. Senator,
Washington, D.C.

Attention: Denise Bede.

DEAR MS. BEDE: I am physically unable to attend above hearing in Oklahoma City, May 23. I want, however, to make a statement and I would like for it to be on record. Senator Boren has my permission to read it to both Houses of Congress if necessary. The statement is as follows:

My name is Hope Dolen. Age 71. Single. I reside at 1316 Walnut, Duncan, Oklahoma, 73533. My total income for the month of April is as follows:

Civil service annuity	$103.00
Social security	125.20
Royalty check (Koch Oil Co.)	70.73
Total income	298.93
Owner's amount	108.60
Windfall profits tax	37.87
Amount of check	70.73

I am on Medicare (hence the $125.20). I put $5.00 a month out of the Civil Service Annuity in savings and $10.00 for change (taxi, groceries, etc.) I, also, put $10.00 a month out of the royalty check in my savings account. Out of this savings account I pay a yearly premium of $114.00 homeowners insurance on my house. I, also, have my utilities, groceries, Medicare Supplement policies (2), total $54.69. Cancer policies (2), total $16.90. Paying on a $628.00 carpenter bill, plus other home expenses. I'm soon going to have to get new eyeglasses. With the increase in the royalty check, I was beginning to get ahead, but with this tax taken out of my check (*I'm a small royalty owner.* Put me down as one of the small royalty owners,) I'm back in the red and it really hurts. This statement is all true. Thank you.

(Miss) HOPE DOLEN.

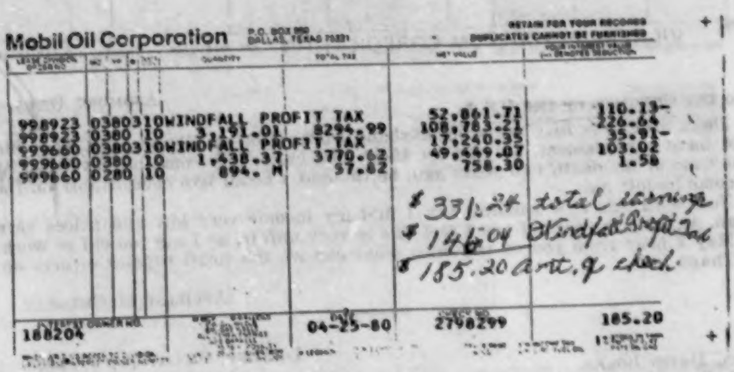
STRATFORD OKLA., *May 8, 1980.*

Rep. WES WATKINS,
Washington, D.C.

MR. WATKINS: We are 2 of the many retired people who were getting an oil check of around 175 or 179 per month to help along with social security to live on. 3 years ago we were lucky enough to get a small producer oil well, the windfall tax voted in by Congress & signed by our President or visa versa. Cost us last month $70 out of check. The only way a voice of the small people can be heard is by writing and hopefully this unfair situation can be corrected.

Thank you,

BERNICE DYHEMON, 62.
SAM DYHEMON, 68.



Mobil Oil Corporation

RETAIN FOR YOUR RECORDS
DUPLICATES CANNOT BE FURNISHED

		QUANTITY	TOTAL TAX	NET VALUE	
998923	0380310	WINDFALL PROFIT TAX		52,861.71	110.13-
998923	0380 10	3,191.01	8294.99	108,783.21	226.64
999660	0380310	WINDFALL PROFIT TAX		17,240.35	35.91-
999660	0380 10	1,438.37	3770.62	49,449.07	103.02
999660	0280 10	894. M	57.82	758.30	1.58

$ 331.24 total earnings
$ 146.04 Windfall Profit Tax
$ 185.20 Amt. of check

188204	04-25-80	2798299	185.20

ARDMORE, OKLA.,
May 14, 1980.

Congressman WEST WATKINS.

DEAR SIR: The attached copy is a clipping from the Daily Ardmoreite dated today!

You certainly are speaking the truth! Why should we "little folks" with a small amount of royalty suffer the most? Our April check was reduced by ⅓—isn't that terrible!

We shall pray for you every day.

Best regards,

Mr. and Mrs. J. B. Norris.

DUNCAN, OKLA.,
May 12, 1980.

Hon. THOMAS P. O'NEILL, *Speaker,*
House of Representatives,
Washington, D.C.

DEAR SIR: Please find enclosed a true statement of a small royalty owner, a Senior Citizen, who has been badly hurt financially by this tax. The oil companies (major) are not hurt at all. It's we royalty owners who depend on said check as a supplemental source of income. Please support a bill that will exempt us from this tax. Wes Watkins is my congressman and is aware of my situation.

Thank you,

(Miss) Hope Dolen.

ALLEN, OKLA.,
May 17, 1980.

Congressman WES WATKINS.

HONORABLE SIR: I am writing regards the oil windfall tax—I am a royalty owner, and was ripped off for 50 percent tax this past month, even after the Gross Production Tax. We have never complained of the GP tax—now we are getting a double tax. I always heard that a double tax was unconstitutional.

I am a retired WW II vet trying to keep a ranch and a few cattle—you know that no one makes a living on the farm anymore, therefore my royalty check is my living for wife and 3 children.

My family, for over 80 years has always been Democratic—I won't change, but if this tax *does not* change I will not vote for Carter and many people in this area feel the same way. He will be through a voting friend.

OWEN G. (BUD) GILMORE.

STROUD, OKLA., *May 14, 1980.*

Congressman WES WATKINS,
U.S. House of Representatives,
Washington, D.C.

DEAR SIR: I wish you would do something about the Windfall Profit Tax on Oil. It is hurting the little man as myself. I just have royalty interest and it is taxed. They tell me that the tax is at the well head.

If something right away our checks is going to nothing. I thought when they first started talking about it they were going to exempt the stripper wells as of 10 BBLS per day. I know you can help plug for the stripper wells which should be exempted if they are not the oil companies are going to start plugging the wells, as you know 90% of Okla oil wells are stripper wells. Hoping to hear from you about the above matter.

Sincerely yours,

GLENN HOPKINS.

DUNCAN, OKLA.

Representative WES WATKINS,
Cannon House Office Building,
Washington, D.C.

DEAR WES: I guess I was asleep at the switch on the Windfall Profits Tax. I did not some how realize that it was going to be a tax against the royalty owners and small producers. What it really is, is a blatant confiscation of personnel property by the Federal Government, and is not going to affect the major oil companies at all.

I presently own a small working interest in three wells in Wyoming, two in Texas, and own the royalty on the farm that my grandfather homesteaded in 1898 in Kingfisher County, Oklahoma. My total yearly oil and gas income is around $6,000. After the government takes 40%, I'll have $3,600 left, and after I take out $2,000 yearly operating expenses, I'll have $1,600 left. Not a very good return on a $30,000 investment.

Since the independent producers are responsible for such a large portion of our oil production, I think a lot of us little guys will plug our wells, unless something is done.

Sincerely,

BOB SCHICK.

ADA, OKLA., *May 16, 1980.*

Hon. WES WATKINS,
U.S. Representative,
Cannon House Office Bldg., Washington, D.C.

DEAR SIR: We are two of the many small royalty owners who are very disappointed and disturbed with the passage of the Windfall Profit Tax.

This tax is taking away what is rightfully ours. We received very little before this tax and now it is considerably less. We have worked a lifetime to pay for the land and the royalty. Now that we are reaching retirement age, it is being taken away from us. This doesn't seem like a democracy. We, the land and royalty owners, are being unjustly penalized and asked to pay more than our fair share.

Before this tax, the small producers were drilling in many places in our county. Now there are but few willing to take the risk involved. With the energy crisis what it is, it seems that we should be encouraging these small producers to drill. Without them we will be buying more foreign oil, paying more and receiving less tax.

We have a few old stripper wells from which 60% is withheld. Without a doubt, the oil company will quit pumping them. This seems unfair.

What is our country coming to? We are not rich, just because we get a little royalty check.

It would be appreciated if you would work and get this tax repealed.

Sincerely yours,

Karl and Virginia Tilley.

Ardmore, Okla., *April 21, 1980.*

Congressman **Wes W. Watkins,**
U.S. House of Representatives,
Washington, D.C.

Dear Congressman Watkins: I, a Senior Citizen have had to depend on my royalty check to supplement my Social Security check. I want to Thank you for voting against the Windfall Tax Bill, which is so unfair to royalty owners.

I hope you will still be in favor of helping the little people who depend on their royalty check and do all you can to help Senator Boren and Senator Dole from Kansas with the new bill in favor of the royalty owners—as it seems our president has little regard for us—which worries me as it looks as if by November the president will be in trouble—He is a good man but when you put people in want they change their minds about you.

This will probably go in the waste basket—but as a citizen I feel as if I need my say.

Respectfully yours,

Inez Scrivner Pride.

Pauls Valley, Okla.

Dear Honorable Representative Watkins.

Dear Mr. Watkins: I am attaching a copy of my April Oil Run Check, that has been helping me along with my Social Security Check for some time, I am 74 Yrs Old and it has always looked very good to me, as I planned in the past by getting hold of something to go along with my Retirement to help me with my living needs.

By reading this you can see what I am talking about, I would have had a little over $600.00 if the so called windfall as they call it had not been held out of it, you may see the hold out was a little over $200.00 and left me with a prox $400.00.

I am much resentful with this for the very start, it actually is only a Tax Increase, this is the largest Tax Increase ever in History, as I am sure you know this,

Why try to blindfold American people by calling it a windfall Profit Tax why not say a tax increase.

Mr. Watkins as said above I am 74 yrs old, and a registered Democrat, for which I am almost ashamed to say.

But never never will I vote for our present President, and I would like to have a list if possible of all who voted for this Bill, so if it ever becomes necessary for any of them to run for a office and needs my vote I can get a little even with them.

My way Thinks this is the beginning of the Largest Welfare Program that has ever been imposed on America, this is what will come out of this and to if possible you may give this to our President when he goes to his hide out, he can use it some way, I am sure he will need such, and too I would much appreciate it if you will not have any thing to add to his Campaign this year, I of course know you are a Demo, and he is too. But I have Confidents that we can have a better Goverment with some one else, Regardless of who the Republican is will get my vote this time, I can't see how this will be any worse, so I am going to try for a change

Sincerely Yours Truly,

Alva G. Thompson.

Mrs Mona James
920 Hargrove
Ardmore, Okla. 73401

Ardmore, Oklahoma
July 15, 1980

SX6
EDL680

Dear Mr. Watkins:

I read your Piece in the Daily Ardmoreite Yesterday, and also had received a Paper from you, and I want to thank you for introducing legislation to exempt royalty Owners from the 'Windfall Profits Tax."

I had no idea what this was all about until shortly before it was passed.

I am a widow of 5 years and am on Social Security. I run a small antique shop because of being alone and a nervous condition. I make very little profit but it keeps me occupied.

husband worked for Waco
for about 30 years.
owner, an independent oil Man,
and also a brother in-law of them
He Worked under very diffult
Circumstances until W. Turners death
to hold the "will" together which gave
all the brothers and sisters on
both sides some oil royalty. In
fact I feel like my husbands
taking cancer (too far gone) soon
after the job ended, was caused
from working too hard. Only
last November I got my first pretty
good little royalty check which
was enough with my social
security check to make me feel
secure. Then only two or three
checks of getting this and being
so happy about it, came the
realization of what this "Windfall
Profit Tax" would do. So anything
you can do to help Will be greatly

pted by me.

The whole thing made me so sick, I just had to try not to even let myself think about it. I really hope and pray you can carry this ~~thr~~ through. Thank you so much.

Frances M. James
920 Hargrove
Ardmore, Okla. 73401

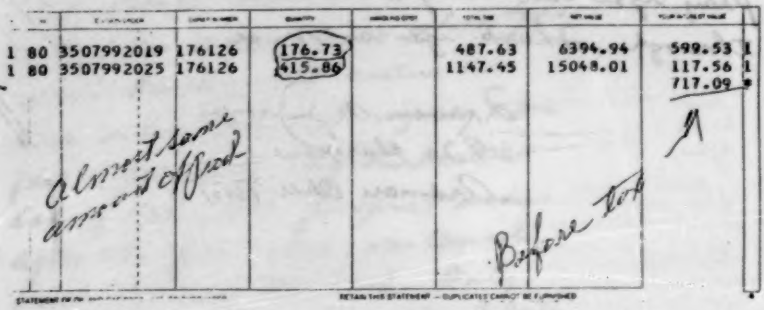
DURANT, OKLA.

Mr. WES WATKINS,
House of Representatives,
Washington, D.C.

DEAR WES: It seems unfair for us retired people who do receive small Royalty checks to pay the so called "Windfall Tax." 70% is a sizeable deduct! Our check has been in the $300.00 figure, with the tax deducted to a little over $100.00. Why should we retired people have to pay the "Windfall Tax" when the Oil Companies make all the profit? Is it fair?

Sincerely,

MRS. JAMES COURTNEY.



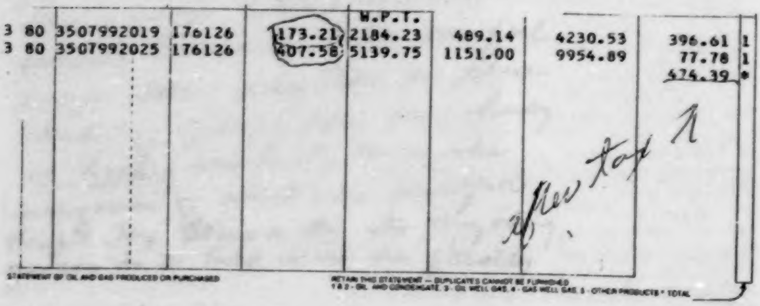
1	80	3507992019	176126	176.73		487.63	6394.94	599.53	1
1	80	3507992025	176126	415.86		1147.45	15048.01	117.56	1
								717.09	*

Almost same amount of Prod

Before tax

STATEMENT OF OIL AND GAS [illegible]

RETAIN THIS STATEMENT — DUPLICATES CANNOT BE FURNISHED



					W.P.T.				
3	80	3507992019	176126	173.21	2184.23	489.14	4230.53	396.61	1
3	80	3507992025	176126	407.58	5139.75	1151.00	9954.89	77.78	1
								474.39	*

After tax

STATEMENT OF OIL AND GAS PRODUCED OR PURCHASED

RETAIN THIS STATEMENT — DUPLICATES CANNOT BE FURNISHED
1 & 2 - OIL AND CONDENSATE, 3 - OIL WELL GAS, 4 - GAS WELL GAS, 5 - OTHER PRODUCTS * TOTAL

PAULS VALLEY, OKLA.

DEAR HONORABLE REPRESENTATIVE WATKINS.

DEAR MR. WATKINS: I am ataching a copy of my April Oil Run Check, that has been helping me along with my Social Securty Check for some time, i am 74 Yrs Old and it has always looked very good to me, as i planned in the past by getting hold of something to go along with my Retirment to help me with my living needs.

By reading this you can see what i am talking about, i would have had a little over 600.00 if the so calld windfall as they call it had not been held out of it,you may see the hold out was a little over 200.00 and left me withaprox 400.00

I am much resentful with this for the very start,it actualy is only a Tax Increase, this is the largest Tax Increase ever in History,as i am shure you know this, Why try to blindfold American people by calling it a windfall Proffit Tax why not say a tax Increase,

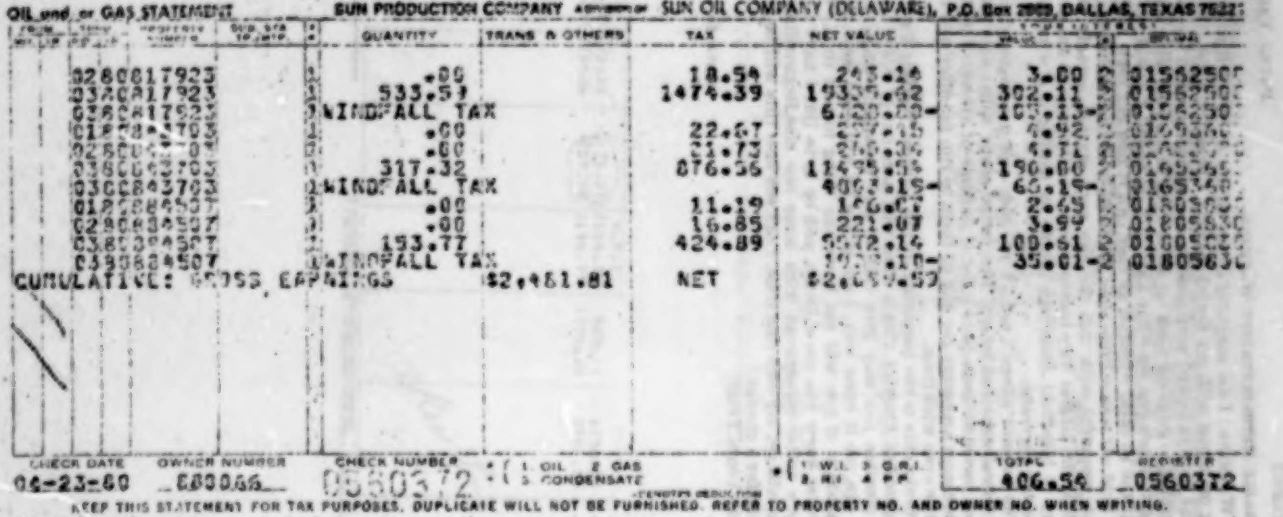
Mr Watkins as said above i am 74 yrs old, and a registered Democrat, for which i am almost ashamed to say, But never never will i vote for our present President, and i would like to have a list if possible of all who voted for this Bill, so if it ever becomes necessary for any of them to run for office and needs my vote i can get a little even with them,

My way Thinks this is the beggining of the Largest Welfair Program that has ever been imposed on America, this is what will come out of this

and to if possible you may give this to our President when he goes to his hide out, he can use it same way, i am shure he will need such, and to i would much appreacate it if you will not have any thing to add to his Campain this Year, i of course know you are a Demo, and he is to But i have Confidents that we can have a better Goverment with some one else,Reguardless of who the Republican is will get my vote this time, i can see how this will be any worse, so i am going to try for a change

Sincerly Yours Truly,

ALVA G. THOMPSON.



OIL and or GAS STATEMENT **SUN PRODUCTION COMPANY** [illegible] SUN OIL COMPANY (DELAWARE), P.O. Box 2869, DALLAS, TEXAS 7522

		QUANTITY	TRANS. & OTHERS	TAX	NET VALUE			
0280817923	1	.00		18.54	243.16	3.00	2	0156250
0380817923	1	533.53		1474.39	1933[illegible].62	302.11		0156250
0380817923	1	WINDFALL TAX			6[illegible]-	10[illegible].13-		0156250
01[illegible]3703	1	.00		22.67	[illegible]	6.92		0165[illegible]
028[illegible]		.00		21.73	2[illegible].36	6.71		[illegible]
0380[illegible]3703	1	317.32		876.36	1143[illegible]	190.00		0165[illegible]
0300843703	1	WINDFALL TAX			400[illegible].15-	6[illegible].19-		0165[illegible]
01[illegible]834507		.00		11.19	1[illegible].07	2.65		0180[illegible]
0280834507		.00		16.85	221.07	3.99		0180563
0380834507		153.77		424.89	5572.14	100.61	2	0180[illegible]
0390834507	1	WINDFALL TAX			[illegible].10-	35.01-	2	0180563

CUMULATIVE: GROSS EARNINGS $2,481.81 NET $2,[illegible].53

CHECK DATE	OWNER NUMBER	CHECK NUMBER	* (1. OIL 2. GAS 3. CONDENSATE	* (1. W.I. 3. O.R.I. 2. R.I. 4. P.P.	TOTAL	REGISTER
04-23-80	880046	0560372			406.54	0560372

KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE WILL NOT BE FURNISHED. REFER TO PROPERTY NO. AND OWNER NO. WHEN WRITING.

SUN OIL COMPANY (DELAWARE),
Dallas, Tex., April 16, 1980.

DEAR INTEREST OWNER: President Carter has now signed into law the Crude Oil Windfall Profits Tax Act of 1980. This law levies an excise tax on the "windfall profit" realized by holders of an economic interest (including working interest and royalty interest owners) with respect to domestic crude oil and condensate produced after February 29, 1980 (with a few exceptions, such as qualified charitable, governmental, and Indian oil).

Although each working interest and royalty interest owner is liable for the tax, Sun is obligated to withhold the tax from your payment and deposit same with the U.S. Treasury semi-monthly.

This Act is extremely complicated. Although the Internal Revenue Service (IRS) has issued temporary regulations, final regulations are not expected for several months. Before the tax can be computed, the following must be determined: removal price, adjusted base price, state severance tax adjustment, tax tier in which the oil falls and classification of the holder of the economic interest. This illustrates the magnitude of the problem. Sun may not have sufficient information to withhold the proper amount from your April payment, or possibly even some future payments. If such is the case, we will make the necessary retroactive adjustments in future payments. The following is a brief summary of the tax:

[In percent]

	Major oil companies and royalty owners	Independent oil producers
Oil discovered before 1979—Tax on receipts above $12.81 [1] per barrel	70	[2] 50
"Stripper" oil—Tax on receipts above $15.20 [1] per barrel	60	[2] 30
Newly discovered, incremental tertiary and heavy oil—Tax on receipts above $16.55 [1] per barrel	30	30

[1] This is the national average base price; it will vary from property to property and it must be adjusted for inflation, quality, location, etc.

[2] This tax rate applies to 1st 1,000 barrels per day. Production over 1,000 barrels per day taxed at same rate as major oil companies and royalty owners.

In the event you have a question concerning the application of this tax to your production, we ask that you put your question in writing and mail it to: Windfall Profits Tax, Sun Production Company, P.O. Box 2880, Dallas, Texas 75221. Although it may be necessary to secure additional interpretations and clarifications from IRS, we will do our best to respond to your question in a timely manner. If you should feel it necessary to call us, please call (214) 739-9644. We will record your question and respond as soon as the answer can be determined.

W. F. OXFORD, Jr.

DUNCAN, OKLA., *May 5, 1980.*

HON. WES WATKINS: Attached is a letter I mailed the President concerning the Windfall Profit Tax. This letter contains a copy of my March check stub from the Mobil Oil Company for my March royalty earnings. You can readily see how the Windfall Profit Tax is effecting my earnings, as well as other Senior Citizens who depend on our royalty monies to supplement our Social Security.

Thank you for any help you can give us to amend this Windfall Profit Tax Bill.

Yours Truly,

LOIS BOYD.

DUNCAN, OKLA., *May 1, 1980.*

MR. PRESIDENT: I'm writing on behalf of the Senior Citizens of the State of Oklahoma who are royalty owners. Most Senior Citizen royalty owners bought their royalty a few acres at a time during their working days with the hope it might be producing by the time they were unable to work and would give sufficient income to supplement their Social Security. In their thinking this was a means of escape from asking for Welfare help. I fear this Windfall Profit Tax will force many to ask for Welfare help since doctor, hospital, medicine, and nursing home bills have skyrocketed. The health of most Senior Citizens requires this medical care.

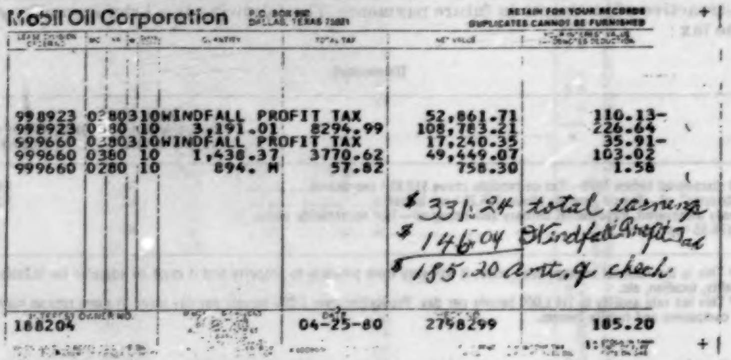
Senator Bellmon tried to make you and Congress aware of the fact Senior Citizens were in most cases the royalty owners and what an impact it would make on them financially. I watched on TV the signing of the Windfall Profit Tax Bill and recall you exclaimed you had won a victory, but you did not make any mention of the fact it would be a major defeat to what the Senior Citizens had planned for a supplement to their fixed income and their being independent.

Below is a copy of my check stub showing the result of the Windfall Profit Tax on my check for March. This will surely give you an insight as to the impact your Windfall Profit Tax is having on the security of the independent existence of the Senior Citizen. I trust any Senior Citizen would proudly give a reasonable tax to be used for the security of America, but we cannot comprehend the 44 per cent of our checks being withheld as shown on the check stub below.

In closing I repeat how one Senior Citizen evaluated the Tax in one word, "It is a CRUEL tax".

A Senior Citizen of the State of Oklahoma

Lois Boyd.



Mobil Oil Corporation

RETAIN FOR YOUR RECORDS
DUPLICATES CANNOT BE FURNISHED

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998923 02803 10WINDFALL PROFIT TAX                 52,861.71     110.13-
998923 0380  10   3,191.01     8294.99            108,783.21     226.64
999660 02803 10WINDFALL PROFIT TAX                 17,240.35      35.91-
999660 0380  10   1,438.37     3770.62             49,449.07     103.02
999660 0280  10     894. M       57.82                758.30        1.58
```

$331.24 total earnings
$146.04 Windfall Profit Tax
$185.20 amt. of check

```
168204                   04-25-80      2798299                   185.20
```

Pauls Valley, Okla.,
May 27, 1980.

Rep. Wes Watkins,
Cannon Bldg.,
Washington, D.C.

Dear Sir: I am writing you with regards to your interest in repealing the W.P. tax on oil. We appreciate your efforts & your good work & interest in the lower income groups, the elderly & old age pensioners. We know of your good work.

I am in my early seventies, my wife is in her late sixties, we live on teacher retirement & S.S. We are registered Democrats but as of the last few years we have voted Republican but we voted for Wes Watkins for Congress & with your record we will continue to support your good work.

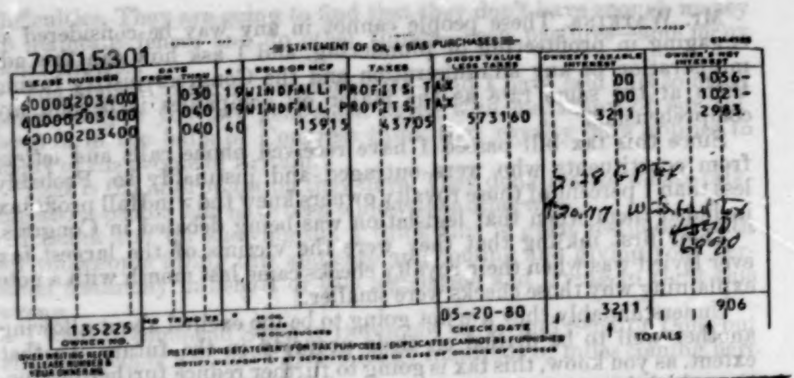
I am enclosing a copy of the receipts of our small income to show what effects it has on our small oil income. As you can see our total oil income for May was $911.68 the G.P. tax & WF Profits tax $333.96 which is 37.2% tax over all. This leaves a net income $572.32.

We will appreciate your continuation & untiring efforts to repeal the W.F. Profits tax. There are only a few states that are oil producing States so you have a lot of Representatives to win over.

Respectfully yours,

O. L. Carlton.

P.S. I believe this is going to close down the stripper wells.



STATEMENT OF OIL & GAS PURCHASES

70015301

LEASE NUMBER	DATE FROM	DATE THRU	*	BBLS OR MCF	TAXES	GROSS VALUE LESS TAXES	OWNER'S TAXABLE INTEREST	OWNER'S NET INTEREST
60000203400		030	19	WINDFALL PROFITS TAX			00	1056-
60000203400		040	19	WINDFALL PROFITS TAX			00	1021-
60000203400		040	40	15915	43705	573160	3211	2983
						05-20-80 CHECK DATE	3211	906

2.28 G P tax

120.77 Windfall tax

4590

69920

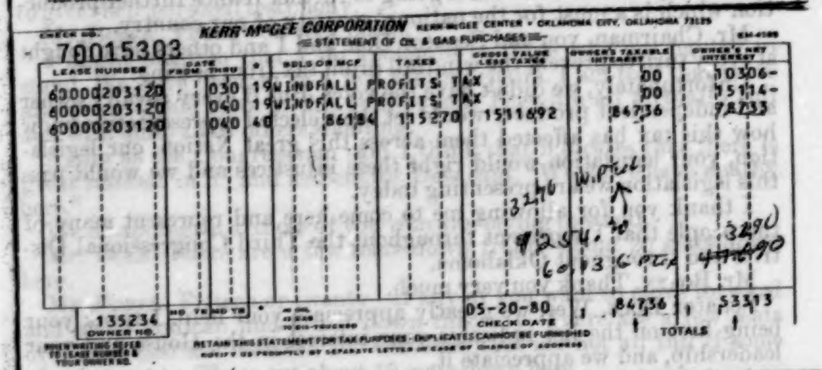
TOTALS

135225 OWNER NO.

WHEN WRITING REFER TO LEASE NUMBER & YOUR OWNER NO.

RETAIN THIS STATEMENT FOR TAX PURPOSES - DUPLICATES CANNOT BE FURNISHED

NOTIFY US PROMPTLY BY SEPARATE LETTER IN CASE OF CHANGE OF ADDRESS



KERR-McGEE CORPORATION KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

STATEMENT OF OIL & GAS PURCHASES

CHECK NO. 70015303

LEASE NUMBER	DATE FROM	DATE THRU	*	BBLS OR MCF	TAXES	GROSS VALUE LESS TAXES	OWNER'S TAXABLE INTEREST	OWNER'S NET INTEREST
60000203120		030	19	WINDFALL PROFITS TAX			00	10306-
60000203120		040	19	WINDFALL PROFITS TAX			00	15114-
60000203120		040	40	86184	115270	1511692	84736	78733
						05-20-80 CHECK DATE	84736	53313

32.40 W.P.tax

$254.40

60.13 G P tax

3290

47790

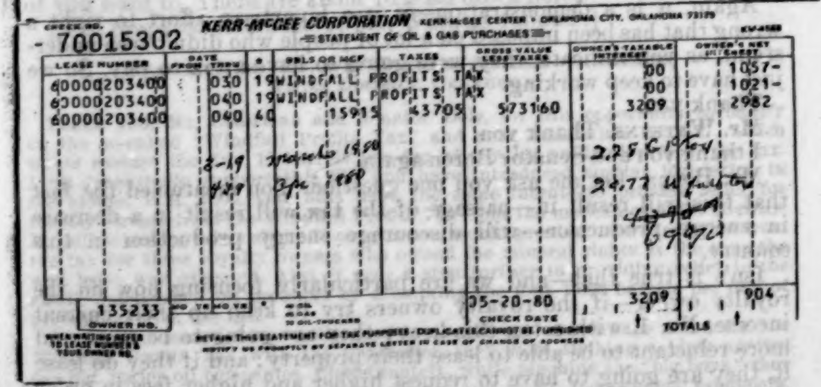
TOTALS

135234 OWNER NO.

WHEN WRITING REFER TO LEASE NUMBER & YOUR OWNER NO.

RETAIN THIS STATEMENT FOR TAX PURPOSES - DUPLICATES CANNOT BE FURNISHED

NOTIFY US PROMPTLY BY SEPARATE LETTER IN CASE OF CHANGE OF ADDRESS



KERR-McGEE CORPORATION KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73125

STATEMENT OF OIL & GAS PURCHASES

CHECK NO. 70015302

LEASE NUMBER	DATE FROM	DATE THRU	*	BBLS OR MCF	TAXES	GROSS VALUE LESS TAXES	OWNER'S TAXABLE INTEREST	OWNER'S NET INTEREST
60000203400		030	19	WINDFALL PROFITS TAX			00	1057-
60000203400		040	19	WINDFALL PROFITS TAX			00	1021-
60000203400		040	40	15915	43705	573160	3209	2982
						05-20-80 CHECK DATE	3209	904

2-19 March 1980

4-29 Apr 1980

2.25 G P tax

24.77 W fall tax

~~4090~~

69920

TOTALS

135233 OWNER NO.

WHEN WRITING REFER TO LEASE NUMBER & YOUR OWNER NO.

RETAIN THIS STATEMENT FOR TAX PURPOSES - DUPLICATES CANNOT BE FURNISHED

NOTIFY US PROMPTLY BY SEPARATE LETTER IN CASE OF CHANGE OF ADDRESS

Mr. **Watkins**. These people cannot in any way be considered as engaging in profiteering or plundering, and I ask how can this administration or any administration and the Congress justify taxing them at the same rate as the major oil companies is beyond my comprehension.

Since this tax bill passed I have received phone calls and letters from constituents who were outraged and justifiably so. Probably less than 1 percent of those royalty owners knew the windfall profit tax included them when that legislation was being debated in Congress.

Their first inkling that they were the victims of the largest tax ever levied was when their royalty checks came last month with a note explaining why those checks were smaller.

Understandably they are not going to be too excited about allowing another well to be drilled on their property in the future. To that extent, as you know, this tax is going to further reduce further production which is a must for the national security of our country.

Mr. Chairman, you and Senator Dole and I and others have fought at every turn to prevent the windfall profit tax from passing.

Unfortunately, we didn't have the votes. But if every royalty owner and independent producer would let their elected representative know how this tax has affected them across this great Nation, our legislation, your legislation would right these injustices and we would pass this legislation we are presenting today.

I thank you for allowing me to come here and represent many of the people that I represent throughout the Third Congressional District and throughout Oklahoma.

Mr. **Boren**. Thank you very much.

Senator **Dole**. Wes, we greatly appreciate your help. I think your being first on the list indicates your interest in the House and your leadership, and we appreciate it.

Again, it is a demonstration—it is a bipartisan effort to right a wrong that has been imposed on a lot of people who didn't even understand, as you indicate, they were going to have a tax to pay. So we just have to keep working.

Thank you.

Mr. **Watkins**. Thank you.

I thank you and Senator Boren again.

Mr. **Boren**. Let me ask you one question. You mentioned the fact that this will result in—passage of the tax will result in a decrease in energy production—will discourage energy production in this country.

Isn't it true that—and we are particularly focusing now on the royalty owner—if the royalty owners try to keep up their current income, No. 1, with a tax this heavy they are going to be more and more reluctant to be able to lease their property; and if they do lease it, they are going to have to request higher and higher fees in order to just have the same income after taxes. So this might make it hard for some independent producers and so on to enter into leases so the overall effect on the royalty owner of this tax will also result in decreased production, will it not?

Mr. **Watkins**. That is very true, sir.

As you well know many of the royalty owners that have property are in this room. They are out a lot of expense because of the various difficulties. They are going to find that they don't have enough money to maintain fences and do other things—keep pastures—and many other things.

You know, I think it is unfortunate—and I have said this so many times—maybe you two gentlemen agree with me, many of our colleagues in the halls of Congress think that royalty only applies to many of the people in Britain.

That is the interpretation they have. They don't realize we are talking about people who have been widowed or otherwise.

I thank you for showing up. I think this is great testimony with all you people filling this audience and coming and giving your personal testimony in behalf of this legislation and trying to right this wrong.

I want to commend Senator Boren not only—and Senator Dole, but all these people who have driven many hundreds of miles coming here to give their personal testimony.

Mr. **Boren**. Thank you very much.

I might mention that I do apologize to those who are having to stand. We have brought in a few folding chairs. I am told that there are almost 1,400 seats in this auditorium. They are all virtually full and with quite a few others standing.

Again as the Congressman said I think that indicates that there is great interest in it; and as Senator Dole said, "We don't have apathy here."

We do apologize to those of you who are having to stand.

Mr. **Dole**. There are a few seats down front—about 20 seats down here.

Mr. **Boren**. Fifteen or twenty—if any of you want to move forward and see if you can find a seat down this way. There are a few seats over here that are reserved for witnesses that are not all full if some of you want to. There are about 10 seats down here.

[The prepared statement of Mr. Watkins follows:]

TESTIMONY OF HON. WES WATKINS, MEMBER OF CONGRESS, THIRD DISTRICT, OKLAHOMA

Thank you, Mr. Chairman and Senator Dole, for this opporunity to testify on the so-called "Windfall Profits Tax" and your legislation, S. 2521, which would exempt the first 10 barrels per day of royalty production from the tax. I wholeheartedly support this bill and have introduced similar legislation in the House, H.R. 7300. Our bills have the same intent—to provide relief for royalty owners from the Windfall Profits Tax—but the mechanics differ slightly. My bill, which now has about 15 co-sponsors, would provide total exemption from the tax for those royalty owners who owned the mineral rights at the time the well lease was executed. Also, it goes a step further in providing relief to the small, independent oil producer by exempting the first 1,000 barrels per day of production from the tax.

I am sure many of our colleagues in the House and Senate voted for the Windfall Profits Tax with the impression they were striking a blow against the big, major oil companies. Unfortunately, while pinching the "big boys," they slapped the little folks—the royalty owners and small, independent producers.

The letters I have received from constituents in the past few weeks best demonstrate the devastating effect this tax has had on the typical royalty owners—farmers, ranchers and retirees, many widowed, who are living on meager Social Security benefits and small monthly royalty checks. Here are just a few examples:

> A lady from Marlow, who writes: "I am a widow and a Senior citizen trying to supplement my Social Security with my royalty checks . . . I

cannot understand why we should be taxed at the same rate as the major oil companies."

A gentleman from Holdenville, who writes: "I am 80 years old and have four acres royalty . . . I own my farm, but (I) am not able to farm it. (I) just have my Social Security. I was getting $25 per month. As you can see by the deposit slips, they are taking about all of it."

A couple from Elmore City, who write: "We can take you to many homes in this small town, where many times only one mate is left, and where although the check may be small, to them it means a few more groceries or medicine."

A retired couple in Ardmore, who, in their younger years, struggled, saved and borrowed money to purchase mineral rights as a source of supplemental income for their old age. "They are simply taking bread off our table and very badly needed medicine off our shelves, and this actually puts us on the bottom rung of the ladder financially," the couple said.

A couple from Hugo, who write: "We are both past 65, living on a fixed income, (and) we get a royalty check each month. This past month the gross amount was $77, from which $34 was withheld for the Windfall Profits Tax. That amount would have made a payment on a kitchen range, which we desperately need."

A 76-year-old widow in Cyril who lives on a Social Security check of $276 plus her royalty income on one small stripper well. This tax took over $100 from her March income.

A lady from Wetumka, who writes: "I am one of the so-called 'victims' of this (tax), a widow, receiving a moderate Social Security check. The royalty check I received each month helped some in trying to keep up with inflation."

A 71-year-old lady in Duncan whose monthly income was $228, plus a royalty check of about $100. Last month her royalty income dropped $30 because of the tax. In addition to her regular living expenses, each year she pays $114 for homeowners' insurance, $54.69 for two Medicare supplemental policies, and $16.90 for two cancer policies. She also owes a $628 carpenter bill and needs new eyeglasses. She says, "With the increase in the royalty check I was beginning to get ahead, but with this tax taken out of my check . . . I'm back in the red and it really hurts."

A retired gentleman in Walters who used the royalty check to supplement his Social Security, now finds himself turning to welfare and other means to keep his wife in a nursing home.

These are just a few of the vivid examples of how this tax has pulled the rug from under our older citizens who had been depending on their royalty income to help bail them out of inflation. Mr. Chairman, at this time I would like to submit these and other letters in their entirety for the record.

These people cannot in any way be considered engaged in profiteering or plundering. How can Congress justify taxing them at the same rate as major oil companies?

Since this tax bill passed, I have received phone calls and letters from constituents who were outraged—and justifiably so. Probably less than one percent of the royalty owners knew the Windfall Profits Tax included them when that legislation was being debated in Congress. Their first inkling that they were the victims of the largest tax ever levied was when their royalty checks came last month with a note explaining why the check was smaller. Understandably, they are not going to be too excited about allowing another well to be drilled on their property in the future. To that extent, this tax is going to further reduce future production.

Mr. Chairman, you, Senator Dole and I fought hard at every turn to prevent the Windfall Profits Tax from passing. Unfortunately, we didn't have the votes. But if every royalty owner and independent producer would let their elected representatives know how this tax has affected them, our legislation to right these injustices would pass.

Senator **Boren**. The next witness is a member of the Oklahoma State Senate. He is a very distinguished member of that body, and we are very glad to have him with us this morning. State Senator Robert Miller will be our next witness.

STATEMENT OF HON. ROBERT MILLER, STATE SENATOR, STATE OF OKLAHOMA

I am Bob Miller from district 8 over in eastern Oklahoma. I represent Okmulgee, McIntosh, Muskogee, and Haskell Counties.

Thank you for allowing me to testify on behalf of the royalty owners and independent small producers in my area.

As you know, Oklahoma ranks fifth in oil production in the United States. This points up the significant impact that will be felt in Oklahoma. The imposition of this tax is discriminatory to the people in the State and particularly my area.

It is my opinion that confiscation of their royalty owners property will have a long-range adverse effect on the overall economy of Oklahoma as well as on all the States of the Union.

Many of these who receive the royalty checks are elderly people on fixed incomes. For many the small checks that come from the oil producers it is their primary source of income.

To have this check literally slashed by as much as 30 to 60 percent is disasterous.

I applaud Senator Dole and Boren for their efforts to exempt the small royalty owners from this unfair tax. I am hopeful that these hearings throughout the States will have such an impact on the remainder of Congress that they will take a second look at this tax and take remedies to revise and ease the burden of it.

The continued imposition of this tax on Oklahoma will drain Oklahoma of millions of dollars of valuable revenue and will further hurt the consumer through higher fuel cost.

This truly is the worst intrusion of the Federal Government in the free enterprise in the history of this Nation, and it makes the petroleum industry the scapegoat for the country's energy problem.

The really sad part of the entire matter is that the people who are most severly taxed are those who can least afford it and can in no way make up their loss.

This particular form of tax is not only unfair to the royalty owners, but will lessen his desire to lease his land for drilling purposes.

While this hearing is primarily directed to the royalty owner, the tax has also adversely affected the small independent lease producer and his plans for continuing exploration.

I would like to give you the following examples of drilling plans of a few people in my area. One man who planned to drill 15 wells in 1980 has reduced this to three—merely whole leases.

Another man who planned 68 wells in 1980 has reduced this down to 10 for the same reason.

Another man planned to drill 50 wells and will now drill 5. Another planned to drill 25 and will not drill any.

An independent who planned to drill 10 will drill 1. Another who planned 15 will drill 1 and another man who planned 2 will drill none.

These examples show that this particular legislation will reduce the number of wells drilled in a very small area in Oklahoma.

Most of these are stripper wells, but nevertheless you can see it will have a detrimental effect on the energy sector of this country.

Of course I would like to see the entire piece of legislation repealed, but as an alternative the least we could do is allow a 25-barrel exemption on a per lease basis. This would greatly help the royalty owner and would allow the independent producers the much needed capital for continued exploration.

Thank you, Senators Boren and Dole, for allowing me to express my concern.

Mr. BOREN. Thank you very much, Mr. Miller.

The next witness is a gentleman known to all of us. He is the president pro tempore of the Oklahoma State Senate—the leader of the Oklahoma State Senate, Senator Gene Howard.

STATEMENT OF HON. GENE HOWARD, PRESIDENT PRO TEMPORE, OKLAHOMA STATE SENATE

Mr. HOWARD. Mr. Boren, Mr. Dole, I appreciate this opportunity. I am appearing in a dual capacity as president pro tempore of the Oklahoma Senate and at this time the acting Governor of the State of Oklahoma.

I want to thank you for this opportunity to be heard on behalf of the Senate and the State of Oklahoma on the windfall profit tax.

It is my intention to leave the technical arguments to others and address myself to the very real human problem created by this burdensome tax.

If the tax is designed to punish large corporations, then it misses the mark. Instead it uses a hammer to kill an ant. The tax comes down much more heavily on a lot of little people than it does on any faceless corporation.

If elements of the tax were designed to make it anti-inflationary, then it does so at the expense not of the corporation but rather at the expense of the individual royalty owner.

If the purpose of the tax is to stimulate production of energy to meet the ongoing crisis, then it is a disaster. It is not just too little too late; the whole concept is flawed.

Finally if the tax is a manifestation of responsible government action in the face of continuing crises, then it represents an abdication of that responsibility. It is in the popular vernacular a copout.

In short this tax is living proof of the inability of our leaders to please all the people all the time. It is the proverbial camel put together by a committee. It misleads; it misapplies; and it misplaces priorities.

I believe it was Eric Sevareid who so aptly described the windfall profit tax a decade before it was signed into law.

He said, "The chief cause of problems is solutions."

In other words, with solutions like the windfall profit tax, who needs problems?

There are in Oklahoma today some 200,000 royalty owners. Who are these fat cats? Who are these culprits against whose evils the windfall profit tax is canted?

They are for the most part little people, at least in a financial sense.

Their royalty incomes are measured sometimes in nickels and dimes, certainly not in millions.

Often as not they are retired living on the social security check and royalty income. The royalty income may be $300, $400, or $500 a month.

Not only will these royalty owners have their checks reduced, but many will lose all their royalty income. This tax will shut down every partial stripping well. Those wells have now become unprofitable.

It is impossible to estimate the domestic production that will be lost from these wells, but collectively it will be substantial because that production will be lost forever.

Add to this the fact that the gross production tax levied by the State of Oklahoma now in itself becomes a problem because of the windfall profit tax.

The State gross production tax is paid on the selling price or the price received at the well head, but the windfall profit tax is computed on adjusted price which means that the royalty owner and the producer are paying tax to the Federal Government on part of the gross production tax they paid to the State of Oklahoma.

At the very least I plead with you to immediately grant total relief to the small royalty owner. There is absolutely no justification in terms of energy conservation, economic sanity or human consideration for applying this tax to small royalty owners.

Second, I urge that examination of special relief from marginal stripper wells. Surely there is no logic in shutting down the goose that is laying America's golden energy egg.

Let us learn the lessons of our own history. You cannot strengthen the weak by weakening the strong. Just as a neutron bomb is designed to kill only people, this tax is designed to hurt only individual citizens. It leaves the corporations untouched.

The windfall profit tax is aimed at the building of steel and glass, but it has hit the human being who works inside it.

Let us not make that mistake again. Let us examine this oppressive tax. If we don't, then I believe Peter Drucker will be able to add it to his list when he admonishes us, "Look at governmental programs for the past 50 years. Every single one, except for warfare, achieved the exact opposite of its announced goal."

I thank both of you for this time.

Mr. Boren. Senator Dole.

Mr. Dole. I want to thank you for that excellent statement. I also want to make the point which is sometimes overlooked, and you touched on it in your statement.

The corporations, of course, are owned by people, too. It has been called to my attention that Texaco has 415,000 stockholders and they are not all oil barons either.

I think the whole windfall profit tax is mistaken, whether it applies to the royalty owner or the stockholder—I assume there are some stockholders of major companies in the audience who do not like the tax either. I think that is a point we need to make.

The way the tax finally evolved was a serious mistake. We are really concerned about royalty owners, the stockholders, and the small independents that you mentioned. As you have rightly pointed out, in my State we are already finding evidence of shutting down stripper production because of the cost and lack of profit.

Mr. Howard. I have a statement which speaks to that which I desire be incorporated in the record.

Mr. BOREN. We will incorporate that. I want to say as one former Governor to the present Acting Governor, you are bearing up well under the burdens of your office.

[The prepared statement of Mr. Howard follows:]

STATEMENT BY GENE C. HOWARD, PRESIDENT PRO TEMPORE, OKLAHOMA STATE SENATE

Mr. Chairman, members of the committee: Thank you for the opportunity to be heard this morning on behalf of all the citizens of Oklahoma and on behalf of the Oklahoma State Senate which I serve as President Pro Tempore.

Others undoubtedly will make eloquent technical arguments against the so-called Windfall Profits Tax enacted into law last month. It is my intention, therefore, to set aside these technical arguments and to address myself to the very real human problems created by this tax.

If the tax is designed to punish large corporations whose profits are deemed excessive, then it misses the mark. Instead, it uses a hammer to kill an ant—the tax comes down much more heavily on a lot of little people than it does on any faceless corporation.

If elements of the tax are designed to make it anti-inflationary, then it does so at the expense not of the corporation, but rather at the expense of the individual royalty owner.

If the purpose of the tax is to stimulate production of energy to meet the ongoing crisis, then it is a miserable disaster. It is disaster. It is not just too little, too late; the whole concept is flawed in view of the historical development of the entrepreneurial enterprises which made our nation great.

Finally, if the tax is a manifestation of responsible government action in the face of continuing crises, then it represents an abdication of that responsibility. It is, in the popular vernacular, a copout.

In short, the tax is living proof of the inability of our leaders to please all the people all the time. It is the proverbial camel put together by a committee. It misleads, it misapplies and it misplaces priorities.

I believe it was Eric Sevareid who so aptly described the Windfall Profits Tax, almost a decade before it was signed into law, when he said, "The chief cause of problems is solutions."

Or, in other words, with solutions like the Windfall Profits Tax, who needs problems?

There are in Oklahoma today some 340,000 or more royalty owners who are affected by this tax.

That is more than one Oklahoman in ten.

Who are these fat cats? Who are these benefactors of the great oil industry? Who are these culprits against whose evils the Windfall Profits Tax is canted?

Well, let me tell you. They are, for the most part, little people, at least in a financial sense.

They are the Aunt Minnies and Uncle Johns on the forks of the Creek in Oklahoma.

Their oil industry incomes are measured in nickles and dimes, sometimes, certainly not in millions.

Often as not, they are retired, living on a Social Security Check and royalty income. That royalty income may be three hundred, or four hundred, or five hundred dollars a month.

All of us know those Social Security checks haven't kept abreast of inflation. So, the only tiny hedge that these Oklahoma "oil barons" have against inflation is the increase in their royalty checks.

Now, this unfair and inequitable and unjust tax is depriving them of that hedge.

If they don't get relief, if they aren't permitted some breathing room, their situation will become desperate. And soon.

Let's look at some other big oil interests that are the target of the tax.

Let's look at the small independent producer whose strength is a series of stripper wells. This tax will shut down every marginal stripper well. Those wells will become unprofitable.

The very thing that the tax is designed to encourage—increased production—is being reversed. Instead, production will decrease.

It is impossible for me to estimate the domestic production that will be denied from taking from production these marginal stripper wells. But collectively, it will be substantial because that production will be lost forever.

These so-called oil profiteers—these small royalty owners and independent operators—have been able to bolster the economy of their communities in Oklahoma during recent years in a multitude of ways. Not the least among their contributions has been a 7 percent gross production tax levied the past decade. That gross production tax funds such worthwhile programs as schools and public employees retirement plans.

Now, the gross production tax levied by the State of Oklahoma becomes not an asset to the economic picture, but a problem, and the reason for the problem is the Windfall Profits Tax. The gross production tax is paid on the selling price. But the Windfall Profits Tax formula is computed on the adjusted price which means that the royalty owner and the producer are paying a tax on part of the gross production tax they pay to the State of Oklahoma. Contrast this to the exemptions allowed to Alaska, Indian Tribes, charitable and educational institutions and the inequity is obvious.

Before I finish my remarks, I want to underscore one additional point.

I have talked thus far about those who are clearly distinguished from the big oil corporations. I have talked about the impact on royalty owners and small producers.

But I would like to turn for just a moment to the so-called big oil companies.

I realize that it is politically unpopular in America today to defend big business. But I submit that it is political cowardice to fail to accept even a bigger challenge. That challenge is for those of us in public office to educate the American people on the economic facts of life.

Those facts include the undeniable truth that the so-called big corporations are big not because of a few rich investors, but because of thousands and thousands of small stockholders who may realize a few dollars a year in dividends.

Further, it is an economic truth that investment capital is an absolute necessity for economic expansion in a free enterprise system. This tax, the largest ever enacted against a single industry, denies that industry the opportunity to expand our energy resources through the traditional tool of investment of profits.

What do I propose?

At the very best, I plead with you to immediately grant total relief to the royalty owner. There is absolutely no justification in terms of energy conservation, economic sanity or human consideration for applying this tax to the royalty owners.

Secondly, I urge an examination of special relief for marginal stripper wells. Surely there is no logic in shutting down, through an overly burdensome tax, the goose that is laying America's golden energy egg.

Finally, I suggest a re-thinking of the whole concept of this tax.

Let us learn the lessons of our own history.

You cannot strengthen the weak by weakening the strong.

You cannot further the brotherhood of man by inciting class hatred.

This tax reminds me of the principle of the neutron bomb. Just as the neutron bomb is designed to kill only people, this tax is designed to hurt only individual citizens. It leaves the corporations untouched, if punitive action is its goal.

Further, it threatens to drain the pool of investment capital from the very hands which have applied it so well to our country's benefit in the past.

The Windfall Profits Tax has aimed at the building of steel and glass, but it has hit the human beings who work inside it.

We are witnessing an incredible phenomenon at all levels of government, in which the regulated become the regulators, in which the law thwarts those it is intended to serve.

Let us not make that mistake again.

Let us re-examine the Windfall Profits Tax.

If we don't, then I believe Peter Drucker will be able to add it quickly to his list when he admonishes us, "Look at governmental programs for the past fifty years. Every single one—except for warfare—achieved the exact opposite of its announced goal."

Thank you.

Mr. **Boren**. What Senator Howard has said about stripper production is certainly true. Senator Dole and I have a joint amendment in the Finance Committee when the windfall profit tax was before us that provided a total exemption for stripper production. We had that in the bill when it left the committee, but it was taken out later in the process.

Stripper oil was decontrolled and the abandonment rate from stripper oil wells went down by 500 percent. In other words giving it financial incentives to keep those wells alive proved that it worked.

So once we found something that did work, according to the usual practice, you see the Government has now turned around and undone the good they had done a few years ago when they decontrolled stripper.

Now they have proposed this tax back on stripper production, and I think Senator Howard is absolutely right that this is going to have a devastating effect on the number of abandonments of the stripper production. It is going to be very harmful to our country, and I appreciate that particular focus on that problem.

Our next witness is the Oklahoma State senator from Pontotoc County. I hear in my household very often that that is a very fine county. He represents it very ably.

Senator James McDaniel a member of the Oklahoma State Senate.

STATEMENT OF HON. JAMES McDANIEL, SENATOR, STATE OF OKLAHOMA

Mr. McDANIEL. Thank you.

My name is Jim McDaniel. I am representing Senate District No. 13 in the State of Oklahoma.

Thank you, Senator Boren, Senator Dole, for conducting the hearing in Oklahoma. Thank you for making these hearings accessible to the people of Oklahoma who are affected by this issue.

I would welcome you to Oklahoma and express my appreciation for allowing me to visit with you about the concerns of the people in my senate district as they pertain to the windfall profit tax.

You are to be commended for your proposed legislation to exempt royalty owners from the windfall profit tax which I feel is a terribly unfair and unjustifiable to the people not only in my district but throughout Oklahoma.

Information that I have developed indicates that the average cut in royalty checks since the implementation of the windfall profit tax is one-third.

For example, one stripper well produced four barrels a day which resulted in a royalty check for $600 a month. With the passage of the tax that check has been slashed to $390—a reduction of more than $200.

Bear in mind that this is just the average. Many are much higher.

For many people in Oklahoma the income received from their royalties is their sole source of income. Many are widows who heavily rely on this income and simply cannot afford to have it confiscated from them especially at the rate of 30 to 45 percent.

According to figures prepared for me by the Oklahoma Department of Energy, almost 9 million barrels of crude oil was produced in my senate district in 1979. The district includes all of Coal, Pontotoc, Hughes, and parts of Murray and Okfuskee Counties.

Over the next 2 years nearly $170 million will be paid in windfall profit excise taxes in that area of the State alone.

More importantly the tax will cost the mineral owners, farmers, and ranchers in that area a total of $39 million over the next 2 years. Farmers, ranchers, and mineral owners are taxed at a maximum rate and cannot afford more taxes.

Since this money is used to purchase groceries and other goods and services in our area which creates jobs, the total economic loss to the area in the next 2 years will exceed $107 million.

This unfair discriminatory tax is confiscation rather than taxation. Revenue generated from this State from one of our natural resources is being confiscated by those who are less fortunate and don't have the abundant supplies of oil and gas that we in Oklahoma enjoy.

I believe as strongly as anyone else that taxation should be fair and equal. This tax is neither of those.

To confiscate money from this part of the country to subsidize the Northeastern part of the Nation is unjust, unfair, and un-American.

For all of the State, the subsidy we pay to the Northeast will exceed $750 million in 1980, rising to more than $2 billion in 1981. This 2 year, 1980–81, tax burden exceeds the total value of all crude oil produced in Oklahoma in the calender year 1979.

I am hopeful that some meaningful remedies to this problem which threatens to rob this State of more than $2 billion over the next 2 years can be found.

You are on the right track; and I would encourage you to continue to fight; and I hope you succeed in your endeavor.

Thank you again for allowing me to discuss this critical issue with you.

Mr. BOREN. Thank you, Senator McDaniel.

Let me ask you—I find that in my own experience the mail that I receive on this subject—and I have received several thousand letters. Oftentimes with a Xeroxed copy of the royalty check where the windfall tax is deducted from the check and typed on to the tax stub.

Most of those that have written to me have been small royalty owners. I am talking about maybe $200 or $300 a month or less—many of them less than $100. I would say a very significant number of them less than $50 a month.

What has your experience been in terms of the amount of royalty income that the people are getting in terms of the number of people you have been hearing from in your own district?

Mr. MCDANIEL. Senator Boren, it is similar to what you have received also.

If I had more time, I could probably have more examples to present to the Commission. We were a little limited on research for this, and we didn't have time to get exactly—but there are many, many people who receive these small royalty checks in my district and throughout Oklahoma.

This has drastically reduced their income.

Mr. BOREN. The majority of them are small in terms of income?

Mr. MCDANIEL. Very definitely.

Mr. BOREN. This $107 million loss, is that in your district alone?

Mr. MCDANIEL. That is in my district alone.

Mr. BOREN. Thank you very much.

Before I present our next witness I want to make a comment about him. He is—and I think we can be very proud of this from an Oklahoma point of view—national chairman this past year of the Independent Petroleum Association of America who are the independent producers, not the large companies but the smaller independent producers who operate inside the United States; and at various times during the discussion and debate whose amendments have gone back and forth.

I know there have been some who have said that the producers ought to just look out for themselves and not try to look out for the royalty owners.

I can tell you from having dealt with this particular gentleman on a day-to-day basis representing and speaking for his association of independent producers that time and time again he has said, "Whatever we do we are not going to desert the royalty owner."

He was one of the few people who constantly was speaking out on behalf of the royalty owner and their interest during the discussion. I think we can be very proud of that from an Oklahoma point of view and proud of the fact that he took that position as chairman of that organization.

From Bristow, Okla, and his name is Tom McAdams. He is the chairman of the Independent Peteroleum Association of America. Tom we are very glad to have you with us today.

STATEMENT OF TOM McADAMS, PRESIDENT, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

Mr. McADAMS. Thank you, sir, for those kind words. I do appreciate them.

As you stated my name is Tom McAdams. I am from Bristow, Okla. I am representing the Independent Petroleum Association of America of which I serve as chairman of the board.

The IPAA is a national association of independent oil and natural gas producers having some 5,600 members.

The statement I am to make this morning is joined in jointly by the Oklahoma Independent Petroleum Association.

I appreciated Senator Howard's statement a minute ago with reference to the Stripper Well Association. I served as president of that association for 2 years so I am very familiar with their operation.

I wish to express gratitude of the independent producers nationwide to you, Senator Boren, and to you, Senator Dole, for your constructive consistent bipartisan efforts to persuade your colleagues in the Senate of the unprecedented challenge of finding and producing domestic oil in the future.

As bad as the so-called windfall profit tax is it would have been far worse except for your efforts. All Americans are indebted to you and your great courage to do what is right with respect to the energy policy rather than what may be politically popular.

Along with you the IPAA fought for full percentage depletion for the independent producers and the royalty owners. As you know we won that one.

Along with you we fought for full exemption from the windfall profit tax for both royalty owners and independents. Unfortunately, we lost that one, but we do not believe the fight is over; and I am proud to see that you do not either.

I want to thank the subcommittee for this hearing to examine the impact of the crude oil windfall profit tax on royalty owners, independent producers, and future domestic oil production.

For royalty owners the tax is confiscatory. Worse, it came as a surprise to thousands of royalty owners who learned that they were affected by it only after it had been enacted.

For independent producers the tax is extremely complex and confusing. Literally thousands of producer and royalty owners do not know whether the tax withheld on their oil was correct or incorrect.

The complexity arises for independent producers because it applies to the individual properties each of which involves different working or overriding interests. Each is affected by different tax rates.

The operator must separate or certify different production categories monthly and declare his own and others' tax liability therefore. After fighting his way through a maze of mathematical computations and definitions, the operator must certify his tax liability under penalty of perjury.

The margin for honest error is immense. It remains to be seen whether a law involving such regulatory complexities can be enforced.

Although it represents an almost unbelievable regulatory problem and financial burden for crude oil royalty owners and producers, not borne by other Americans, the impact of this tax on the Nation's energy future transcends all other considerations.

It is becoming more and more apparent however that the domestic industry, even in the absence of this tax, would be increasingly hard pressed to generate sufficient capital resources to assure adequate levels of exploratory drilling and development through the 1980's.

We have in our statement figures and computations to support this need for additional capital to be generated by the independents; and if we may, we ask that it be incorporated in our statement.

Mr. Boren. It will be.

[The prepared statement of Mr. McAdams follows:]

STATEMENT BY TOM P. MCADAMS, JR., CHAIRMAN, BOARD OF DIRECTORS, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

I am Tom P. McAdams of Bristow, Oklahoma. I appear here in behalf of the Independent Petroleum Association of America, of which I am Chairman of the Board of Directors. The IPAA is a national association of independent oil and natural gas producers having some 5,600 members in every producing area of the nation.

At the outset, I wish to commend this subcommittee for its initiative in scheduling these hearings. Too often, bad law is enacted and soon forgotten. The so-called "Windfall Profit Tax Act of 1980" is unprecedented in so many respects that such monitoring by the Congress is both wise and essential.

In testimony before both the House Ways and Means Committee and the Senate Finance Committee, the IPAA—along with many others—opposed the enactment of this legislation because it clearly is contrary to the national interest which can only be served by maximizing our domestic energy production. Unfortunately, a majority in the Congress could not see the long established fact that the quantity of oil found and produced for the consuming public is directly related to the income realized by producers.

It is now well known that this tax is not related to "profit" in any way. It is the most exorbitant excise tax ever enacted on an essential commodity. The only "windfall" recipient is the Federal Government, and the extent of this government windfall was described as follows in a recent analysis by Chase Manhattan Bank:

"Without changes in the tax laws, about half of the so-called windfall would have gone to various arms of government in the form of higher income taxes, severance taxes and royalties.

"The application of the Windfall Profits Tax will add another $227 billion to the government share, bringing it to about $700 billion dollars over the decade. The federal government's share of the windfall amounts to 83 percent, with the balance going to state and local governments."

No purpose is served in belaboring how or why this legislation was enacted. Directly, it affects about 12,000 entities which produce domestic crude oil, and perhaps 1,000,000 individuals who own crude oil mineral interests, or royalties. Indirectly, it affects every American because it will, unquestionably, result in the production of less domestic oil and greater dependence on foreign oil.

The hundreds of thousands of royalty owners undoubtedly were the cruelest victims of this tax. President Carter did not once hint that this tax would affect royalty owners. His rhetoric in "selling" the tax was directed almost exclusively at the multi-national oil companies. Many, if not most, royalty owners discovered that the tax applied to them only when they received a much smaller check for their crude oil in the month of March.

Thousands of royalty owners pay the maximum "windfall profit" rate, 70 percent, on fractional interests of less than a barrel of crude oil. Someone's computer in a far distant place makes the tax computation. The affected royalty owner has no way of knowing whether the tax is correct. If it is incorrect, he has no way of knowing whether he is the victim or beneficiary of the error.

Prior to enactment of the tax, no one was obligated to inform royalty owners about the tax, and no effort was made by Government to do so. Only after implementation of the tax did affected royalty owners learn the hard truth, and this may have been the first occasion when hundreds of thousands of Americans learned they would be affected by a confiscatory tax only after its enactment.

For royalty owners, and for all affected interests, the crude oil "windfall profit" tax is a discriminatory burden. For independent producers who operate producing properties it is discriminatory, extremely complex and confusing.

The tax is applied to individual producing properties. Each such property may involve different working and/or overriding interests—all affected by varying tax rates. The operator must separate and certify different production categories each month and declare his own and others' tax liability therefor. This system involves unbelievably complicated mathematical computations, regulatory processes and definitions. After fighting through this unfamiliar maze, each operator must certify his own eligibility as to the applicable tax rates under penalty of perjury.

In trying to comply with such a system, honest mistakes will be unavoidable, and enforcement will be costly and difficult if not impossible. As the subcommittee is aware, many—including the IPAA—urged simplification of any tax enacted. But simplification was politically rejected, and if anything the tax was "progressively complexified" as it moved through the legislative process.

Royalty owners and producers affected are understandably outraged victims of this discriminatory tax. Its implications for the Nation's energy future however, far transcend its effects on individuals or producing companies. The tax resulted, very simply, because of political perceptions that domestic crude oil price decontrol would generate more revenues than domestic producers could wisely use. It is becoming more and more apparent, however, that the domestic industry—even in the absence of this tax—would be increasingly hard-pressed to generate sufficient capital resources to assure adequate levels of exploration, drilling and development through the 1980's.

Crude oil and natural gas unquestionably will continue to dominate the energy mix in the United States for the rest of this century. We have the resources and resourcefulness to provide the great bulk of our petroleum requirements through this transitional period. The principal factor limiting development of our petroleum resources will be the ability—or inability—of domestic producers to generate and attract adequate risk capital.

The IPAA is now in process of analyzing the requirements for domestic drilling activity and capital funds through the 1980's. For purposes of this analysis, we have assumed inflation at the average experienced in drilling for the past five years (nearly 16 percent), and overall energy demand growth of no more than two percent. We also are assuming the Administration's goal of reducing import dependence by 1990 to one-half the 1977 import rate of 8.5 million barrels daily and that gas production will rise by two percent per year.

To meet such import policy goals under any of the probable demand projections will involve unprecedented capital expenditures for exploration and development. It is important to realize that under continued inflation as experienced in the past five years, the cost of drilling and completing the average well will rise to $1.9 million by 1990.

Assuming that total energy use will rise no more than two percent annually, and that displacement of oil by gas and other energy forms is such that no growth in oil consumption occurs, we still would be required to increase domestic crude oil production from 9 million barrels daily in 1980 to 11.9 million barrels a day in 1990—to meet the President's import reduction goal. To do this, we would have to drill over 1,125,000 total wells at a cost of $1.2 trillion.

In the next 10 years, we will experience an addition of more than 25 million to the U.S. work force. To do this and maintain the growth and productivity essential to a sound economy, many believe it will be difficult to restrain overall energy growth to two percent. Also, we are not assured that displacement by other fuels can be sufficient to prevent increased demand for oil.

Should oil demand rise as much as two percent for the long run, it would be necessary to spend nearly $1.6 trillion for drilling to reduce import dependence by half in the 1980's.

The dimension of these capital requirements—ranging upward from $1.2 trillion in just this decade—makes clear that the domestic industry faces a difficult challenge of generating and attracting enough risk capital.

It is clear that the government's "windfall" from the crude oil excise tax will be a major impediment to the needed domestic exploration and development in the next 10 years. It is time for our government to decide which is most important: greater energy security or greater government revenues from punitive taxes. We cannot have both.

It is clear that the Congress should reopen this issue and reconsider and hopefully rescind the "windfall profit" tax, if we indeed do wish to reduce our import dependence to manageable proportions. I again wish to commend the Senator from Oklahoma and the Senator from Kansas for initiating these hearings, and for their statesmanlike efforts—past and present—in support of productive rather than counterproductive energy policies.

Mr. Boren. I ask Senator Dole if he has any questions.

Mr. Dole. I want to join in the comments made by Senator Boren earlier, Tom, for your leadership and help during the consideration of the windfall bill and also for the assistance of the IPAA.

When the windfall bill first left the Senate, it was in fair shape as far as independents and royalty owners are concerned. But then in the second conference session, $50 billion in new revenue was added so the conferees had to start reaching out and taxing more people. That is when it became difficult for royalty owners.

I want the record to show that some argued for justification, "Well, the royalty owners don't have any risk anyway. They don't put up any money. We will just load them up with a tax."

It was also argued that this was a big windfall for the landowner and the royalty owner. They do not have any expense. Some appeared to believe that if the landowner gets anything, it is a gift.

In my view, royalty owners provide the essential resource. They provide the oil. They do not have to lease that land.

I want the record to show that you never advocated taxing royalty owners nor did many others from this part of the country. I think with your help and the IPAA assistance maybe we can bring some of those back on our side who should have been there in the first place.

Mr. McAdams. We wish we could have had this audience up there for some of those hearings we had in Washington.

Mr. Dole. Right.

I don't want to take more time, but I think Senator Boren had a good point. Just raise your hands. How many people in the audience today—royalty owners—thought you were going to pay any taxes at all?

Mr. Boren. Before the bill passed.

Mr. Dole. Before the bill passed.

How many thought it was going to be 70 or 60 percent?

Well, not very many. It indicates that communication was a problem. Every time somebody went on television or something talking about taxing big oil, is why I think many royalty owners and landowners assumed that, "Well, that is not me."

Thank you.

Mr. Boren. Let me ask Mr. McAdams—you mentioned that the IPAA developed some general figures about how much more production we would have had without the windfall profit tax than with it.

I can't remember that exact data, but isn't it somewhere between 1 and 2 million barrels a day that would have been produced additionally in this country without the windfall profit tax that will be lost now to domestic production because of it?

Mr. McAdams. Right, Senator.

And one thing we don't want to forget either. We are still Americans and we are still importing 50 percent of our oil from overseas, and we have got to continue to develop the domestic industry in this country.

We are presently drilling 40,000 wells a year. We should be drilling 70,000 wells every year.

Mr. Boren. For all the talk that we saw on the floors of Congress and in the media during the debate on the windfall profit tax, isn't it true that this bill ended up not putting one penny in tax on profits of the large international oil companies on any oil produced overseas?

Isn't it true that it only ended up taxing oil per barrel and the royalty owners who own the oil only on oil inside the United States produced here at home?

Mr. McAdams. That is very true, sir.

This tax is not a tax on profit because the man that is producing one well out there—if he loses money on that production, still will pay this tax.

Mr. Boren. That is correct.

I think that point is well taken. The only time the word "profit" appears in that whole big thick package bill is in the title.

One thing that we finally did get put in it is that they could not take more than 90 percent of all of the income from profit. My goodness, what a concession that was.

Mr. Dole. And I might add it was 100 percent in the House bill.

It said, "In no event shall the tax exceed 100 percent of net income."

Mr. Boren. That is right. They presented that as if that were a great gift to the American public as I recall at the time.

Our next witness is the director of the State department of energy. I might say with some pride that he was formerly my energy adviser and staff member when I was in the Governor's office, Mr. Sam Hammons.

STATEMENT OF SAM HAMMONS, DIRECTOR, OKLAHOMA DEPARTMENT OF ENERGY

Mr. HAMMONS. Thank you very much.

Mr. Boren, and, Senator Dole, as director of the Oklahoma department of energy I am submitting today's testimony on behalf of Gov. George Nigh.

It is in the best interest of every American consumer to produce every available barrel of oil from existing and new wells.

Today our Nation imports 45 percent of its petroleum needs representing a drain of $2 billion per week to OPEC.

This drain of wealth can be stopped only with an aggressive exploration program searching our new oil reserves and enhancing the production from old wells.

The single greatest reason for this dangerous growth of imported oil has been Federal pricing policy. As long as the user can mix $20 or $30 imported oil with Oklahoma oil priced by the Federal Government at $5 to $6 per barrel, it will be economical to continue using imported oil rather than another energy source.

In effect we have been subsidizing OPEC while placing our own national security in great peril.

The cost of exploration for oil and gas in the United States has doubled since 1970. If the United States is to achieve its goal of energy independence, billions of dollars must be expended by the private sector to discover and develop new petroleum resources.

Oklahoma ranks fifth among States in crude oil. It is the fourth largest energy exporting State. There are over 65,000 stripper wells in Oklahoma.

Stripper wells for the most part are not operated by major oil companies, but by the smaller independent producers whose operating procedures are characterized by more expensive operational procedures.

Thus these wells are quick to react to adverse economics such as would result from windfall profit tax. It is estimated that this excise tax would result in an average effective price rollback for the independent stripper operator of more than $6 per barrel, and for more than $12 per barrel for those classified as majors.

According to the National Stripper Well Association, this reduction in income would translate into an increase of approximately 20,000 stripper well abandonments and a loss of 11 million barrels of crude oil per year in Oklahoma during the 1980's.

Mr. BOREN. Let me stop you here, if I might. I think many members of the Senate did not understand that they were actually rolling back the price of any category of oil. They all had the impression it would decontrol the price of all categories of oil. It was going up; and therefore even if you collected a 60- or 70-percent tax, the price would still be higher. That the producers of oil would still have more.

But you have pointed out that in the case of stripper oil as I understand your testimony that the price will actually be lower now in terms of the net to the producer and the royalty owner than was the case before the Government started with its present decontrol program.

Mr. Hammons. That is correct.

That point is one of the least understood portions of the tax. It would be an effective rollback.

It makes absolutely no sense to cause the premature abandonment of the marginal wells for which the social and environmental costs have already been paid, especially when there is such potential for enhanced recovery.

Oklahoma has produced 11½ billion barrels of oil. More importantly there are 26 billion barrels of known petroleum reserves still in the ground awaiting economic incentives and technological applications. Taxing these wells provides neither.

Over 4,500 majors and independents and some 200,000 royalty owners in Oklahoma will pay over $4.3 million to the Federal Government over the next 2 years in the form of income taxes and windfall profits taxes.

Just analyzing the windfall profits tax on the royalty owners alone will cost Oklahoma royalty owners over $626 million in 1980 and 1981.

A study done in Garfield County, Okla., 2 years ago estimated that royalty income had a multiplier effect of 2.73 within that county's economy.

Based on that study the loss of royalty income alone resulted in a total economic loss of 1.7 billion dollars in Oklahoma during 1980 and 1981.

When you combine the impact on producers, the numbers are staggering. A conservative estimate would put the total economic loss in Oklahoma at $3.8 billion over the next 2 years. That figure is conservative because it does not estimate economic growth that would occur from increased drilling or the continued production of marginal wells which would occur in the absence of the windfall profits tax.

The windfall profits tax will be passed to the consumer who will have to pay higher prices for gasoline, diesel, and other petroleum products.

If we are going to pay these higher prices, then we feel we should get something in return and paying billions more in Federal taxes is not what we had in mind. What we should get is more domestically produced energy.

I close this statement with a quote from Governor Nigh in debate at a National Governors' Association meeting which adopted his resolution calling for a plowback credit against any windfall profits tax in 1990.

> The windfall profit tax ultimately means the consumer paying higher prices and buying higher priced fuel. What we have to do is give them something for those taxes. Allowing a plowback provision against the tax will give us incentive to develop greater supplies and sources of domestic energy.

In other words if a producer uses the increased revenue from decontrolled prices to produce domestic energy of any form, that producer should not be taxed.

Also farmers, ranchers and other royalty owners who are having a difficult enough time as it is should not be subject to this type of excise tax.

Governor Nigh fully supports your efforts in their behalf.

Thank you.

Mr. Boren. Thank you very much and express to the Governor our appreciation for his comments which you have delivered to us.

[The full statement of Mr. Hammons follows:]

TESTIMONY BY SAM HAMMONS, ON BEHALF OF GOVERNOR GEORGE NIGH, PRESENTED BEFORE THE SENATE FINANCE COMMITTEE

Senator Boren, Senator Dole, as director of the Oklahoma Department of Energy, it is my pleasure to be here today and submit the following testimony on behalf of Governor George Nigh.

INTRODUCTION

It is in the best interest of every American consumer to produce every available barrel of oil from existing and new wells. Today our nation imports more than 45 percent of its petroleum needs, representing a drain of $2 billion per week to OPEC. This demonstrates the distressing balance of trade deficit that exists in our nation. This drain of wealth can be stopped only with an aggressive exploration program searching out new oil reserves and enhancing the production from oil wells.

Before the Arab Embargo in 1973, we imported 29 percent of our energy requirements. Today, after many years of regulation by the Federal Government, our imports have increased to their current levels. The single greatest reason for this dangerous growth of imported oil has been federal pricing policies. As long as a user can mix $20 or $20 imported oil with Oklahoma oil priced by the Federal Government at $5 to $6 per barrel, it will be economical to continue using imported oil rather than another energy source. In effect, we have been subsidizing OPEC while placing our own national security in great peril.

The cost of exploration for oil and gas in the United States has doubled since 1970. If the United States is to achieve its goal of energy independence, billions of dollars must be expended by the private sector to discover and develop new petroleum resources. It is also clear that we cannot continue to consume almost 4 times as much petroleum as we find without serious social, military, political and economic consequences. Therefore, each of the producing states must set near-term goals to increase, by substantial amounts, our nation's domestic production capability. This goal can only be accomplished if producers are given adequate financial incentives to reinvest their revenues in domestic exploration and development programs.

OKLAHOMA EXPERIENCE

Oklahoma ranks 5th among the States in production of crude oil. It is the 4th largest energy-exporting state. There are over 65,000 stripper wells in the State of Oklahoma. Stripper wells, for the most part, are not operated by the major oil companies but by the smaller independent producers whose operating procedures are characterized by more expensive operational procedures. Hence, these wells are quick to react to adverse economics such as would result from the windfall profits tax. It is estimated that the excise tax would result in an average effective price rollback for the independent stripper operator of more than $6 per barrel, and more than $12 per barrel for those classified as majors.

According to the National Stripper Well Association, this reduction in income would translate to an increase of approximately 20,000 stripper well abandonments and a loss of 11 million barrels of crude oil per year in Oklahoma during the 1980's. An important side effect of these abandonments is the loss of petroleum back into the formation—reserves which form the base for much of our potential future petroleum recovery. It makes absolutely no sense to cause the premature abandonment of marginal wells for which the social and environmental costs have already been paid, especially when there is such potential for enhanced recovery. Oklahoma has produced 11½ billion barrels of oil. More important, there are 26 billion barrels of known petroleum reserves still in the ground awaiting economic incentives and technological applications. Taxing these wells provides neither.

ECONOMIC IMPACT

Over 4500 majors and independents, and some 200,000 royalty owners in Oklahoma will pay over $4.3 billion to the Federal Government over the next two years in the form of income taxes and windfall profits taxes. Just analyzing the

windfall profits tax on the royalty owners alone, we project it will cost Oklahoma royalty owners some $626 million in 1980 and 1981. A study done in Garfield County, Oklahoma in 1977, estimated that royalty income had a multiplier effect of 2.73 within that county's economy. Based on that study, the loss of royalty income alone will result in a total economic loss of $1.7 billion in Oklahoma during 1980 and 1981.

When you combine the impact on producers, the numbers are staggering. A conservative estimate would put the total economic loss in Oklahoma at $3.8 billion over the next two years—conservative because it does not estimate economic growth that would occur from the increased drilling or the continued production of marginal wells which would occur in the absence of the windfall profits tax.

ECONOMIC IMPACT TO CONSUMER

The windfall profits tax will be passed to the consumer who will have to pay higher prices for gasoline, diesel and other petroleum products. If we are going to pay these higher prices, then we feel that we should get something in return—and paying billions more in federal taxes is not what we have in mind. What we should get is more domestically-produced energy.

Last year the National Governors' Association, the Midwestern Governors' Conference and the Southern Governors' Association all adopted Governor Nigh's resolution calling for the adoption of a plowback credit against any windfall profits tax which might be enacted. During debate on the resolution at the National Governors' Association, Governor Nigh said, "The windfall profits tax ultimately means the consumer paying higher taxes and buying higher priced fuel. What we have to do is give them something for those taxes. Allowing a plowback provision against the tax will give us incentive to develop greater supplies and sources of domestic energy." In other words, if a producer uses the increased revenue from decontrolled prices to produce domestic energy of any form, that producer should not be taxed. Also farmers, ranchers and other royalty owners who are having a difficult enough time as it is should not be subject to this type of excise tax.

On behalf of the Governor, I would like to thank you for this opportunity to express ourselves on this issue of vital importance to Oklahoma.

Mr. BOREN. Our next witness—we are very pleased to have her come and testify at his time—is Irene Garner. Mrs. Irene Garner of Maysville, Okla.

STATEMENT OF IRENE GARNER, MAYSVILLE, OKLA.

Mrs. GARNER. Good morning, Senator Boren and Senator Dole.

I appreciate the opportunity of coming before you to express my sentiments about windfall profits tax.

First I would like to say that the royalty I own and on which there is now production was mineral rights with the farm that was a heritage handed down to me by my mother and father, but that we as a family worked long hard hours to attain.

We as royalty owners know that when we sell a lease we relinquish seven-eights or thirteen-sixteenths interest to the oil company hoping there will be production.

Now for the Government to tax this remaining oil at the same rate as major companies seems very unfair.

The windfall profits tax is unfair since charitable, governmental and Indian oil royalty owners are exempt. To me the tax represents confiscation of private property and capital.

There is no precedent for such a law; and if not repealed, will become a monster destroying not only the rights of all other mineral holders but our entire free enterprise system.

I think the tax was rightfully named for I remember as a child I visited my grandmother who owned a large apple orchard, and the bad or rotten apples that fell off the trees first were called windfalls.

The results of this tax on the income of the many of we widows who are already retired or nearing retirement and depending on the income of oil to supplement our social security so that we will not be a burden o our children is bad and rotten.

Mr. Boren. Thank you very much, Mrs. Garner.

Senator Dole, did you have a comment?

Senator Dole. I think that is a very good line. I wish I had thought f that.

Mr. Boren. We will do our best to see that all the members of the ommittee read that testimony.

Mr. Boren. Our next witness is here representing the Royalty Ownrs Action Committee.

STATEMENT OF JAMES L. STAFFORD, ROYALTY OWNERS ACTION COMMITTEE

Mr. Stafford. I am Jim Stafford from Pontotoc County. We seem to ccupy a great position of dominance here today.

Also I was a member of the White House Task Force on Regulatory eform some years ago so I am not exactly a proponent of excessive gulation and taxation.

But you know back when—on April 2 most of our people—most of r contacts really didn't know what was happening.

The way President Carter signed it into law, this tax is going to ake the dust bowl seem tame by comparison.

We feel there are more circling bureaucrats coming down and pickg our bones clean. We feel it confiscates our assets, nationalizes our rivate property, is grossly unconstitutional, will cause economic chaos the elderly, and dry up capital formation and curtail exploration nding.

Further, it will increase the welfare rolls, force families from their rms and ranches, and demolish the economy of our small rural wns.

We had no idea that President Carter's plan to free the Nation from PEC's energy stranglehold included leading 2 million farmers and nchers to the slaughterhouse.

We were even so trustful of the White House we actually believed at most of the money being collected would finance alternative energy rces rather than be trickled out to promote the latest welfare emes to satisfy an election-hungry politician and the chronically of work.

We think the President was ill advised. To most of us it seems like ational conspiracy. Now we realize we were vulnerable. We had national voice—no organized effort to let our wrath be heard.

We also were guilty of letting some other people try to do our job— independent producers who lead the oil caravan to Washington.

They did a good job for us. I went along to try to tell our story all way from Tulsa to New York, with a stop of course in Washington, l trying to tell the story.

Well, from this experience of talking to about 200 of the Nation's business and financial writers it became painfully obvious that only a handful of reporters in the Nation had the vaguest idea of the economics of the oil industry.

The idea of royalty ownership is straight out of "Star Wars" to all but a handful.

Our business is complex and it is totally misunderstood by much of the Nation.

You two gentlemen have a hard job in front of you. We are 100 percent behind you.

We would like to comment in the end that we would like these hearings to be taken to some financial centers of the United States. We think that if you held this hearing in New York, Chicago, or Los Angeles that it would take the onus of guilt away from the southwest where they believe everyone is a J. R. Ewing.

Mr. BOREN. Thank you very much and we will include in the record any additional statement that you did not have a chance to present.

[The full statement of Mr. Stafford is as follows:]

SENATE FINANCE COMMITTEE TESTIMONY—JAMES L. STAFFORD, ADA, OKLA., ACTING DIRECTOR, ROYALTY OWNERS ACTION COMMITTEE

On April 2, while royalty owners throughout the nation were working on their farms and ranches, President Carter signed into law a tax that will make the Dustbowl seem tame by comparison, to the state of Oklahoma.

Unless we fight back now, we fear the sky will soon be filled with some circling bureaucrats ready to swoop down and pick our bones clean with even more legislation.

Put kindly, the bill confiscates our assets, nationalizes private property, is grossly un-Constitutional, will cause economic chaos to the elderly, dry up capital formation and curtail exploration funding.

Further, it will increase the welfare rolls, force families from their farms and ranches and demolish the economy of our small and rural towns.

It also will ensure a Democratic defeat this November, unless remedied.

Few of us back in January had a notion we were about to be sacrificed at a tax rate as high as the major oil companies. Even our best friends in Washington, including many of our elected officials, were reluctant to let us know that President Carter's "plan to free the nation from OPEC's energy stranglehold" included leading 2 million farmers and ranchers to the slaughterhouse.

We were even so trustful of our nation's leadership that we also actually believed most of the money was to be collected from the Exxons of the nation to finance alternative energy sources, rather than be trickled out to promote the latest welfare schemes, to satisfy some election-hungry politicians and the chronically out-of-work.

Too many of us here not familiar with Washington's practical politics, it seemed like a national conspiracy. Now we realize we were vulnerable. We had no national voice, no organized effort to let our wrath be heard.

We also were guilty of letting some other people try to do our job . . . The independent producers, who lead the oil caravan to Washington. I admit I, too, was sold that they had the royalty owners interests at heart. I was so confident that I volunteered to handle publicity and act as advance man into Washington to ensure that the royalty owners got their fair shake.

As a former public information director for the U.S. Department of Transportation and a Washington and New York public affairs counselor, I felt I could add a dimension to the effort. We worked hard, generated about $3 million in publicity results, and got the independents story told to a hostile press. But it was too little, too late.

And of the 3,000 clippings I've analyzed since then, it is obvious, painfully obvious, that only a handful of reporters in the nation have the vaguest idea of the oil industry. The idea of royalty ownership is straight out of "Star Wars" to all but three of that handful.

So we made a mistake. We let someone else try to do our talking. And they've got their own fish to fry. So now we want to stand up and fight back. And on our own, and with our own facts.

For example, many of us had been receiving little warning notes from the purchasing companies for several months prior to April. Rather than getting ready to fight, most of us simply assumed "big oil" was going to take care of "little oil." I assure this committee, nothing could be further from the truth. One major purchaser said last week that he considered royalty owners to be the biggest pain of his existence. "They write us to defend them, when we've got a totally different set of problems."

Further, Mr. Chairman, we in Oklahoma have always had some pretty tough 'mean big brothers" in Washington to help us out. We got lulled into letting hem fight our fights. In this case. however, our news about the threat only came rom one source—an article by Herb Karner of the Tulsa World, who had ana- yzed some facts and figures that were alarming. I campaigned through the state vith this clipping, but I couldn't stir up much indignation. One West Texas oil nan told me, "Don't worry, son, this is America. It won't happen."

Today we want to parade forth some facts that point out our feelings. And ve want to warn this committee of our other fears.

First, we have a hard time in Oklahoma realizing that "oil" is a dirty word in nost of the nation. Thus, it has been tough to realize that while the White House rowed about getting "Big Oil," the majors were getting the best shake pos- ible. Their profits flow unceasingly from overseas.

Secondly, many of us also don't fully realize that to many bureaucrats, the vord "profit" is also without honor. To us it means the fulfillment of hard-work, hope and a dream. You might compare it to getting a GS–18 rating and a new icycle and briefcase on the same day.

We further think that the administration hoodwinked Congressmen and enators into believing that they were acting in the national interest, when the Vhite House was orchestrating an election at the royalty owners expense.

We also think passage of the windfall profits tax proves that Congress can and vill tax the production of this nation to excess. All they have to do is put a atch name on the tax—like "windfall profits"—and blame somebody unpopular ith the voters, like "Big Oil."

Most of the hundreds of royalty owners I've talked to in the past three months elieve this to be the biggest tax extortion in history.

I call it the biggest step toward nationalization of assets since Hitler seized ntrol of Germany's industrial organization. And its economic impact will prove evastating, as your statisticians most probably know.

Let's take Pontotoc County as an example. When King Cotton bowed his head d died back in the 1920's folks were packing up for jobs in the bigger cities, hen the prolific Beebee field was discovered. Later, when the Depression had unty residents heading for the soup lines, the Fitts Field came to our rescue. s a result, Pontotoc County, and Ada, survived. Jobs creation was the principal ason, however, and not because of the handful of millionaires produced by illing activity. (To set the record straight, for every one of the millionaires, least 100 wildcatters went broke and have stayed broke). Yet because of the nd ownership patterns, about 3,000 or more farmers and ranchers have re- ived royalties over the years. The value received per average recipient, even th the increased price of oil, is still well under $200 per run check according one bank official. This, plus social security, enables a lot of the county to neak by, he states. He notes that there are about a hundred professional eculators who have parlayed into some healthy interests that would distort tistical attempts.

Today, however, courtesy of the government, the county faces an immediate s of $5 million to $8 million in disposable income from royalty owners alone. is amounts to the loss in that county of an industry employing approximately people. In a county of about 36,000 residents, that's severe economic impact.

Even worse is what may happen within the next 18 months, according to lsa oilman, E. E. Myeroff, who states that 80,000 of our nation's stripper wells y be abandoned. Much of the county's $42 million in production is from mar- al stripper wells of less than ten barrels daily. The county could be hard hit abandonment when these wells become too costly to operate. This would ter not only the independent producers and royalty owners but also destroy oil- d service industries that give the county economic stability. Dollar-wise this pact could eventually rob the county of over $32 million yearly.

Veteran Chamber of Commerce executive Ted Savage summed up the impact of the windfall profits tax on Southeastern Oklahoma in these words: "It could prove a hard set-back. Most of our business and cultural institutions have been financed largely by oil interests. Capital for our businesses has largely been advanced by these same interests. It has been oil that has enabled us to achieve steady and desirable growth and the ability to finance new industry and development and to achieve an enviable standard of liveability. It will hit hardest on the elderly and the farmers and ranchers. Most royalty owners here have spent five decades to accumulate and hold on to their interests. Now it would seem that one bill could destroy not only an industry but also an entire economic base."

The profile of a Pontotoc royalty owner seems to follow demographics present in much of the state. About 80 percent of royalty owners are over 60 according to rough estimates by T. E. Kemp, a veteran oilman and attorney. Women predominate, with a large number of widows, based on life-span rates and the development date of most County fields. A majority were believed to be retired.

About 50 percent are still living on small farms, ranches and in small farming communities, according to a veteran pumper and gauger. Income in most cases includes social security, royalty income, backed with some seasonal crop receipts, he states.

In letters and interviews received from throughout the state, we can determine a better profile of the impact on the elderly. Here are some comments received in the last two weeks in response to an article in the Oklahoma City Times:

From Tecumseh, Oklahoma, Mrs. Zelta Richardson writes from her hospital bed that she has never before protested a government action, but after working a lifetime to accumulate acreage she is compelled to call this tax unfair, unjust and a disgrace. Mrs. Richardson is in poor health and hospitalized and asked that I read the above statement. Incidentally, this pioneer woman carved out her holdings through her own toil and sweat, with no help or inheritance.

Mrs. Betty Stalcup of Oklahoma City states it is time to wake up and keep anyone out of office who sees fit to write laws to steal. From Duncan, an elderly widow writes that her income is confined to social security, royalty and a small pension. Her royalty check goes to help pay for her medication, which amounts to $25 a month. She enclosed her royalty check for last month. It had been cut from $22 to $18. Next month it'll be more. Gentlemen, this is the big oil you just attacked.

Another elderly widow, a Mrs. Marshall, writes from Oklahoma City that she is totally dependent upon her small royalty income for a living. She endorses totally the Boren-Dole Bill. From Purcell, a gentleman writes that his family royalty income had been pledged to cover investments. He states that the one-third cut in his family income has placed him in a financial bind from which there is no way to recover. He states that politicians seem to be out of touch with reality and suggests that most Senators seem to be too wealthy to relate to the common man. He suggests no more than two terms in office.

A 74-year-old widow, the epitome of the big oil interests Congress attacked, writes that her father was a cattleman who did 18 hours of outside work in patched overalls to hold on to their land near Duncan during the Depression. She personally sold eggs and butter door-to-door before taking a school teaching job in South Dakota, where she also lived in the school to save money, in order to keep the family farm's taxes paid. She's helping put eight grandchildren through school and thinks it unfair that one-third of her income will now go to government, who have some other plans in mind for its distribution, including helping "the chronic non-workers with food stamps."

From Waukomis, Oklahoma, a couple in their 70's write that the tax is "a tragic (sic) unfair deal for the farmers, especially the elderly, who have worked and slaved for years to get a home on the farm and in their last years, when they could be blessed with an oil check to give them help in paying nursing home bills," that the tax seems unfair, "especially with the low prices of wheat."

In Kingfisher, Okla., another retired couple with a small holding joined a Lawton royalty owner in stating that the oil companies can pass on the windfall profits tax, but royalty owners can't. The same sentiment was shared by a Mrs. Prentice of Oklahoma City who also stated that her mother is 93 and in a nursing home. Royalty from her farm in Noble County has helped her mother have adequate medical care. Under the windfall profits tax it is feared that the 3 barrel stripper well will be abandoned, when the operator has to give away two of the three barrels to the government.

A Perry, Oklahoma, "oil baron", Ruth Sitta, says that her royalty in Payne County used to pay her electric bill. Now it doesn't. She asks for all the help she can get to fight back.

Gentlemen, I'll pass along this sampling of letters as evidence that I think you'll find duplicated in states throughout the nation. I also would like to present, as evidence, a series of three articles further describing the plight of our royalty owners by Ms. Mary Jo Nelson, who did extensive research into "little oil."

In closing, myself and several associates have been determined to unite the royalty owners of the nation into a cohesive body in order to obtain the kind of information that provides such committees as we have here today with ammunition. In so doing, we've communicated with royalty owners in Virginia, California, Tennessee, Texas and Kentucky, Kansas, Illinois and many other states.

All share our concern. And more importantly, most are of the firm opinion that our best hope to gain support for such legislation as the Watkins Bill or the Boren-Dole Bill, depends on the need to mobilize royalty owners from outside the oil-producing states.

In studying the patterns of exit migration from our oil states, and from talking with purchasers, integrated oil companies, they exist in surprising numbers. It will be the immediate goal of our organization to try to gain their support.

In closing, we are all grateful that this public hearing was made possible. For a few weeks we were doubtful if we had many friends or even friendly ears in Washington, but now we feel we have a chance, if we'll pull together and fight. It's obvious that there are more pickup trucks outside than there are Cadillacs, so I doubt if we'll be sending around any fancy city lawyers to wine and dine you. We'll attempt to get a lobbyist some day, but we still believe enough in our Constitution and our elected officials to believe that the facts, properly told, delivered to the right leaders, and adequately amplified through the news media of this great nation, can help us win this battle. Gentlemen, our prayers go with you.

Mr. BOREN. Senator Dole.

Mr. DOLE. Well, I think Mr. Stafford made an excellent statement. I do not want to be political here, but I want the record to show that Governor Reagan indicates that he opposes this tax.

We are doing a little work with him on parity. I think we will get him all shaped up here.

Mr. BOREN. I don't know whether we should include those remarks in the record or not.

Our next witness is here representing the Oklahoma Independent Bankers Association.

STATEMENT OF JAMES P. McKEOWN, OKLAHOMA INDEPENDENT BANKERS ASSOCIATION

Mr. McKEOWN. Good morning.

My name is James P. McKeown, and I am executive manager of the Independent Bankers Association of Oklahoma.

We are over 200 small and large banks with local ownership servicing primarily the smaller communities.

We take pride in some of the things that may have gone out of style elsewhere like knowing and caring about our customers' business and taking pride in helping them succeed.

Many of our customers are the small farmers and ranchers. In recent years more and more of their income has been diverted to deal with the high cost of doing business with the government.

This and other rising costs of doing business has driven more and more men from their ranches into the city. Many of those that have survived had done so with the help of royalty payments.

Their wives have gone to town and worked and other family members have moonlighted just in order to stay in rural Oklahoma, in rural America on the farm.

Born on the farm. I am here to tell you that it is not necessarily an easy life. Mother Nature is a tough partner to deal with without crawling off the tractor in the evening to 5 hours of bookkeeping each night to satisfy 101 Government regulations.

We in banking don't perceive these folks as oil barons but simply folks that have worked for three generations to hold on to what is theirs.

Most of their checks wouldn't even buy a Congressman lunch, but they do keep the shoes on the kids and keep the pickup running.

This so-called windfall profit tax was aimed at the Nation's dissatisfaction with big oil and simply missed its mark.

Exxon got off "scott free" and those worst hit are those who can least afford it—the royalty owners in this great State of Oklahoma and other States in this country.

Last week Jim Stafford, who just previously spoke to us and has been a one man lobby for royalty owners the past few months, came by and urged that I poll by phone and in person many of the bankers across this State about the impact of this tax on their customers.

In short I found it had proved disasterous particularly to the elderly who are totally dependent on these payments to keep up their homesteads and to live out their lives on their small farms.

Many will be forced to sell and move to the city; and since Oklahoma land prices are still far behind those in many parts of the country, this money won't last very long.

Some will be forced onto welfare rolls. Now many of you gentlemen here on the Senate Finance Committee are a little unfamiliar with how an Oklahoman faces the possibility of welfare. It is almost a God-given right in some parts of this country, but down here we still have a little pride left.

Most of us would rather dig ditches 18 hours a day than receive a government handout.

Some folks back East might call that attitude a little stupid, but you have to understand and realize that the people who settled Oklahoma 100 years ago worried more about wresting a living from the tough unrelenting earth than about unions or demanding paid sick leave and Saturdays off.

This State was formed by people with guts. Pioneers with visions willing to back that vision with the heartbreaking hard work. The people out in this audience include those pioneers, and it is a good heritage.

Our oil producers exhibit the same brand of courage going ahead risking everything they had to obtain that 1-out-of-100 goal of a wildcat.

Our landowners also fought tooth and nail to buy and to hold on to that small parcel of land in hopes that it might someday prove productive.

In those days land and mineral rights were a commodity of exchange just as stocks and bonds are on Wall Street.

pages tightly bound

Generations of Oklahomans have invested their life savings in the economic roulette we call the oil business. To us it is inconceivable that there are those that would tax us out of business into socialism.

It is not only blatantly unconstitutional but a drain on our economic resources unlike any in the economic history of this Nation.

In closing I would like to recommend to the committee that they commission an economic impact report to reinforce what bankers across this State would tell you.

This State had a tough time recovering from the Dust Bowl. It has only recently begun to realize its real potential.

Now with this tax our investment capital will dry up and the welfare rolls will swell. Farmers and ranchers will not be able to pledge a fraction of what is left of their royalty payments for the seasonal loans of seed, feed, and fertilizer that help them survive.

And more important we will suffer as a nation since another chapter in the free enterprise system which gave the little guy a chance to succeed will be shut and buried somewhere near the Potomac in the bureaucratic graveyard.

Thank you.

Mr. **Boren**. I would like to ask you one question. It is my understanding from your testimony that many farmers and ranchers—and many of them have to use credit to operate in terms of planting and other things that have to be done on the farm—that they very often do pledge their future royalty income in order to borrow money from a bank. Is that correct?

Mr. **McKeown**. In many cases this is true especially in some of the older retired farmers with small operations who are hanging on to their farms they spent a lifetime for.

Country bankers, you know—we may not always put it in writing in a pledged collateral agreement, but the fact that they have it and it is there and that it will continue has been a very important factor.

Mr. **Boren**. This tax then will reduce the evaluation that a banker will be able to put on that potential royalty?

Mr. **McKeown**. This is going to hurt those who can least stand it.

Mr. **Boren**. Thank you very much.

We appreciate your testimony.

Mr. **Boren**. Our next speaker is representing the Oklahoma Farmers Union.

Mr. **Dole**. I might say to those standing there are still a few seats in the front. We are about on schedule on witnesses so we are doing fairly well.

STATEMENT OF JIMMIE JARRELL, OKLAHOMA FARMERS UNION

Mr. **Jarrell**. Gentlemen, I am Jimmie Jarrell from Stratford, Okla. I am president of the Oklahoma Farmers Union. I am also a farmer and a royalty owner.

Oklahoma Farmers Union is a general farm organization with more than 90,000 members. We have our State headquarters here in Oklahoma City.

We appreciate this opportunity to present our views on the windfall profit tax.

The farmers of Oklahoma and Kansas are fortunate that Senator Boren and Senator Robert Dole are both on the Senate Agriculture Committee and the Senate Finance Committee.

As members of the Agricultural Committee you fully understand the present situation confronting the farmers and ranchers of this Nation.

As members of the Senate Finance Committee you are in a position to effectively push for legislation to correct the damage caused by the recently imposed so-called windfall profits tax.

Anyone studying the law would be appalled at its complexity, but that seems to be the norm in almost every aspect of the internal revenue code.

Oklahoma Farmers Union has a policy opposing the so-called windfall profits tax being imposed on any industry or commercial enterprise.

Enactment of such a tax is a dangerous precept and contrary to any previous congressional action on such a magnified scale.

The revenue to be collected is astronomically projected into hundreds of billions of dollars. It is estimated that royalty owners and oil producers in Oklahoma will pay $980 million in 1980 and more than $1.2 billion in 1981 under the tax.

It is labeled a windfall profit tax, but it has nothing to do with profit. It is therefore blatantly mislabeled and in fact is taxation with misrepresentation.

It is also called an excise tax. An excise tax is levied at a time of or incident to a sales transaction. In this case it is withheld by the first purchasers of crude oil.

Regarding our immediate problem, the tax is levied on the sales price above a certain or fixed base. Depending on the price tier the applicable tax is withheld and profit is not a consideration at all.

There are so many unanswered questions surrounding the entire subject that many royalty owners are baffled.

How can the Congress of the United States by whatever ruse take action that in effect is confiscation of property and the redistribution of wealth?

Many farmers and ranchers own the mineral rights under their property. Those who are fortunate enough to have producing minerals producing royaltys this helps supplement the low farm prices that we receive and helps to overcome the effects of the embargo.

Many retired farmers and ranchers have sold the surface rights but have retained the mineral. They do this to provide for income after retirement. They are now stripped of up to 70 percent of the income from that sold above the base price of oil.

In many instances royalty income represents much if not all of their income. This reduction in income will simply have to be made up by welfare payments or other Government aid such as food stamps in order to maintain a standard of living.

This tax discriminates against this class of property owners. If such a tax can be imposed on oil, it can be extended to include any other product or enterprise.

We are pleased that the constitutionality of the tax is being tested in the U.S. district court by royalty owners, energy consumers, and producers.

We are convinced that the tax will eventually suppress the produc- ion of oil in the United States. This comes at a particularly critical ime when the oil is the only energy fuel being imported, and it also dds greater risks to national security.

We commend you, Senator Dole, and Senator Boren, for your efforts o ease this impact of the tax on the royalty owners.

While we abhor the entire concept of a windfall profit tax, we support Senate bill 2521 which you introduced into Congress on April 2, 1980.

Senate bill 2521 provides for the exemption to royalty owners of up to 10 barrels per day from the tax. Such an exemption will be a great help to farmers and ranchers who are retirees. We wish you success in convincing Congress to approve your bill.

On behalf of the Oklahoma Farmers Union we appreciate your holding these hearings in Oklahoma so that many of our citizens can be heard on this subject.

Mr. Boren. Thank you very much.

Let me announce to the audience there are some signup sheets in the lobby. Since some of you are having to come in and our having to leave before the hearing is concluded, we hope that if you have not signed up on that sheet, that you will, so that we will be able to pass on information to you about developments on this bill and ways in which you can continue registering your opinions about it effectively to help us with this legislation.

If you are going to be leaving before the hearing is over, I hope that you will sign one of the signup sheets out in the lobby.

If there are any others of you who have come in after the hearing began, I announced in the beginning that if any of you have letters, statements that you would like to have included in the hearing record, which will be put together for all members of the Finance Committee, please feel free to bring them up to the front to this desk; and they will be taken from you and put into the record for the entire committee to look at as they consider this bill.

Mr. Boren. Our next witness is from Marshall, Okla. I believe you are a farmer from—primarily, right?

STATEMENT OF JAMES BEEBY, MARSHALL, OKLA.

Mr. Beeby. I am 100-percent farmer.

Mr. Boren. One hundred percent farmer. We are glad to have you.

Mr. Beeby. I am from Marshall, Okla., the greatest little town. We are very proud of it.

I am James F. Beeby. My wife and I own 593 acres in the northwest corner of Logan County. We were from 1950 through 1978, 27 years, acquiring and paying for this land.

We will have been married 40 years this July, and in that time, Senator, we have taken two 1-week vacations.

We have been planning to cut back and letting our son take over. He has been farming and sharing with us since the fall of 1977. I furnish the machinery and he delivers the labor.

This was the year after we had our first oil production and the first time that the operation would support such an arrangement.

There is no way that he can raise enough capital to buy machinery so I will have to finance him some way.

I figure the royalty income and a little social security and keep a few calves, my wife and I can make it.

I will be 62 in 1981.

High interest, repairs, fuel, fertilizer, the wheat embargo coupled with this windfall tax, which is unfair, unrealistic, and unbelievable burden our Government has placed on royalty owners and small independent producers, has sent us back to the drawing board as I will explain.

I have a 160-acre farm that I bought in 1965, and there is nothing but the surface rights. The minerals are gone forever.

In May 1977, an independent oil company proposed to drill a Mississippi lime formation well. This is at a depth of 5,800 and 6,100 feet in our area.

Having no mineral interest on this farm, they agreed to let me participate in a working interest in which I receive 3½ percent of the total production and pay 4 percent of all expenses.

My income from this venture since 1977 through 1979 I have received $4,086. At the same time my expenses for drilling and completing the wellhead at 4 percent amounts to $16,120.

So far in 1980 I have received one royalty check of $252. I should have received $252, but the windfall profit tax took $35.77. I fail to see that I have a profit of any kind from this venture until I receive my cost back. That is the way I have always operated in farming.

I know what the investors are up against that drill and develop this kind of production. The risks are enough without our greedy Government compounding the issue.

I take little comfort from the fact that in the law there is a clause that states "we will never take more than 90 percent of your income" or words to the effect. That may not be the right words, but that is my understanding of it.

I have five stripper wells that I have a royalty interest in from 40 percent on two to 100 percent on three.

This tax took $660 from my March royalties. Project this by the year and you will come up with nearly $8,000 annually. That seems like a lot. It is nearly 35 percent of what I would have gotten without this unfair tax.

This is why I am hesitant to go on with my planning for early retirement. The spacing on these wells in our area is 80 acres. The last well drilled was in the fall of 1977. I have talked to my operator and asked him to drill me another well which he admits I am entitled to; but he told me he hadn't received his cost back on the first well, and it was touch and go before this windfall business. Now I am really certain that it won't be drilled.

He hasn't received his investment back on the first well and this burden and the cost of completing a well has more than doubled. I really can't fault him.

Besides the economic situation do you know what really begins to disturb me as much as the loss of income? It is our Federal Government has taken without firing a shot or paying a dime 56 acres of royalty from under every 160 acres and this in every other oil-producing State.

You can't say that I own 160 acres of royalty under my farm anymore. You own 104 acres of royalty.

I am pretty certain that—what will keep the greedy liberals from coming back and in a year or so and wanting more so they can spend more. To me this is a big step to federalize the oil industry.

Yes, Eddie Chiles, I am mad as hell.

Mr. BOREN. I don't need to tell you we all thank you for your statement.

I will try to call the attention of the members of the committee to your remarks, and I hope that every one of them spends the time to read it.

You gave a very good factual account of how it affects you and how it affects many other people. We really appreciate you taking the time and coming to give that statement.

Mr. DOLE. I read in the Washington paper yesterday that some of our tax money is going into the CETA program for happy hour training—on how to conduct themselves during happy hour. So I guess your windfall tax is serving a great purpose.

Mr. BOREN. Our next witness is the former president of the Oklahoma Cattleman's Association. He is now vice president of the National Cattleman's Association.

He lists his address sometimes as Lawton even though he is really from Meers. We are very glad to have you here.

STATEMENT OF WAYNE DUTY ROWE, OKLAHOMA CATTLEMAN'S ASSOCIATION

Mr. ROWE. Senators, you gave me a hard act to follow.

Anyway, I am Duty Rowe from Lawton, Okla., or Meers. I am the past president of the Oklahoma Cattleman's Association and presently serving as the regional vice president of the National Cattleman's Association.

Today I am substituting for John Hughes who is president of the Oklahoma Cattleman's Association who was unable to be here due to unexpected personal business.

The Oklahoma Cattleman's Association wholeheartedly endorses Senate bill 2521. In fact we have worked real hard in helping to repeal the entire windfall tax bill which is without a doubt one of the worst laws that has ever been forced upon the citizens of this country.

Farmers and ranchers probably are the majority of mineral owners. Senate bill 2521 would greatly contribute to food production. By this I mean the total agricultural debt for the United States in January 1979 was $137 billion—in January 1980, $160 billion.

That is a 17-percent increase in 1 year.

In Oklahoma in January 1979 we had a $3.8 billion agriculture debt, and we were unable to find what it was in 1980; but I bet it has increased.

The cheap food philosophy, the undependable and ridiculous Government farm and economic policy, such as undependable exports and imports, unreasonable interest rates and never ending regulations will cause this debt load to increase much more this year.

Mineral income has got to be a stabilizing force for farmers and ranchers. You might say it acts as a subsidy for food production thus helping those farmers and ranchers who are fortunate enough to have mineral income to weather the financial fiasco that we have had the last few years.

Farmers and ranchers, the people who feed this great Nation better and cheaper than any other country quite often at break-even or loss prices, need this supplemental income.

So we say to the Congress of the United States, let's give these people a break by passing Senate bill 2521.

I would also like to comment on one observation that I made here today and that was that when you asked the people who farmed and ranched in this audience to stand—and I can tell you this without getting in trouble because my age is closer to social security than it is young—then you asked those to stand who were recipients of social security and they were virtually the same people.

I would like to ask, where are our young farmers and ranchers? They aren't here and they aren't out there. Why aren't they?

A lot of the reasons are right—can be attributed to the statement that I gave here this morning.

I want to thank you gentlemen for spending your time to come to Oklahoma.

Mr. BOREN. Thank you very much.

I think it should be entered into the record that in that last 10 years we have lost 40 percent of our farmers and ranchers in Oklahoma in terms of numbers. Forty percent have left farming and ranching in the last decade which indicates the very grave financial hardship under which we are operating.

Statistics indicate that this year as cattle and bumper prices have gone down in the past 6 months, that we can anticipate a 25 percent drop in farm and ranch income this year.

So this tax hits us at the worst possible time considering that many of those affected are in agriculture.

We have another representative from agriculture as our next witness representing American Agricultural Movement.

STATEMENT OF HARVEY GARDNER, AMERICAN AGRICULTURE MOVEMENT

Mr. GARDNER. Thank you very much, Senator Boren and Senator Dole.

It is indeed a pleasure to be here today on behalf of the American Agricultural Movement. I would like to thank you for this opportunity to testify before you.

Maybe I ought to tell you that I have testified before several committees of Congress and I would certainly hope that some day we can come before your committee and testify when we don't have a crisis at hand.

Senator Dole, I know we are going to keep this nonpartisan, and I know that you have temporarily removed yourself from the race for President, but I would like to say that there are many of us in this State and across this Nation think that what this country needs more than anything else is for a President to come from somewhere east of the Rockies and west of the Mississippi River.

The legislation commonly known as the windfall profit tax is one of the most disastrous and counterproductive pieces of legislation that has been enacted in recent years.

By taking vitally needed funds out of the private sector and placing them at the disposal of the inefficient Federal bureaucracy, this bill virtually assures our country's further dependence on imported oil and higher fuel prices for consumers.

Furthermore, it is not the multinational oil companies that bear the burden of the tax but it is the royalty owners and the independent producers who are scattered across the 9 or 10 major oil-producing States.

These people, far from being the rich oil barons that some of the eastern press and misguided politicians portray them, actually represent a diverse cross-section of the country. They are farmers; they are merchants; they are laborers; they are management; they are schoolteachers; they are druggists; they are young; they are old; they are rich; and they are poor; but most of all, they are people.

They are not just some kind of entry in a computer. They represent the risk takers and entrepreneurs who are essential for our free enterprise system to function and be productive.

Quite frankly, the net result of the windfall profit tax is quite simply the confiscation of private property and the unfair penalizing of a productive minority by a short sighted administration and an ill-advised Congress.

In the first place the bill is misleading because as you have indicated so much it is not a tax on profits at all rather a tax on revenue which constitutes an excise tax.

The U.S. Constitution stipulates that excise taxes are to be assessed equally and geographically; therefore, the constitutionality of this legislation is highly questionable since it is not so distributed.

When this tax was initially suggested by the administration the stated purpose was to insure that a substantial amount of the increased profits, not gross revenue, would be plowed back into oil exploration.

I am sad to say that on that misconception most American people supported this provision because they thought it would provide incentive for oil producers to increase their exploration activity.

This would result in a discovery of new domestic oil reserves. It would also increase oil production—would have been the net result.

This type of program, producers and consumers alike, could have received well deserved benefits. Our Nation's dangerous dependence upon foreign oil would have been reduced and the upward spiral of petroleum prices would have been slowed due to the increase in supply.

Senator Boren, as you are aware there are a lot of farmers in this room this morning. There is no one in the world that knows more what it will do to prices to have an increase in the supply.

As time wore on the windfall profits tax became a revenue-raising measure and the plow back provision was all but forgotten.

While the name windfall profits continued to be used, it became an unfair excise tax which has absolutely nothing to do with profit.

The administration and some of the Members of Congress began to develop programs to be funded out of the resulting tax revenue; however, precious little was pledged for the development of new energy programs.

In fact, it is projected that over the next 10 years this tax will bring in something like $227 billion. Less than 15 percent of that money is earmarked for new energy.

Over the next 10 years it is projected that $200 billion will be spent on programs that will not develop or produce one drop of oil or one Btu of additional energy.

This money is not coming from OPEC countries. It is not coming from the major oil companies, but it is coming out of the pockets of royalty owners and independent oil producers in States like Oklahoma and Kansas and Texas.

The results of this tax are devastating to the many royalty owners who receive very minimal income from their production.

In many instances, Senators, these folks have spent a lifetime paying for their land and paying for the mineral rights that go with that land. Now in one quick action their Government has literally taken from them the private property which they have accumulated.

This impact is going to be felt in every small town and every major city in the oil-producing States. There will be less money to spend, fewer jobs available, less incentive for folks to forge ahead in the private sector.

This is wrong. In my opinion it is downright un-American.

The royalty owners have no way to recoup the revenue lost as a result of the windfall profits tax. They are at the mercy of their Government. Quite frankly, their Government has let them down.

Farmers and royalty owners deserve better than this. They deserve to be treated fairly and equitably with their Government; however, laws such as this one does just the opposite.

The American Agricultural Movement of Oklahoma has said on many occasions and as you well know the family farm system in this Nation is in serious financial trouble.

The U.S. Department of Agriculture concurs that most farmers have to have outside income to survive. In Oklahoma a substantial amount of that income is from oil royalties.

It makes no sense whatsoever for the administration and the Congress to admit that farmers need nonfarm income to survive and then to proceed to confiscate that income.

In closing my remarks I would simply say that food and energy are vital to our Nation's growth and survival. We have been blessed with an abundance of both not because of Government wisdom or Government interference but because of individual initiative.

If our free enterprise system is allowed to work and all segments of our economy are treated equally, we will have plenty of energy. We will have plenty of food.

The windfall profits tax is a big step in the wrong direction. It has started us down the path to more Government interference and bureaucratic hassle.

This legislation needs to be abolished or at least changed so the royalty owners and independent producers are exempt.

We appreciate your legislation, and we stand committed to help you in any way we can.

Thank you.

Mr. BOREN. Thank you very much for a good statement.

[The full statement of Mr. Gardner is as follows:]

STATEMENT OF HARVEY C. GARDNER

Mr. Chairman, I commend you and the Finance Committee for scheduling this hearing. It is especially gratifying to have Senators from two of the finest States in the Union, namely Oklahoma and Kansas, take the lead in trying to correct a major mistake.

H.R. 3919, commonly known as the Crude Oil Windfall Profits Tax, is one of the most disastrous and counter-productive pieces of legislation enacted in recent years. By taking vitally needed funds out of the private sector and placing them at the disposal of an inefficient federal bureaucracy, this bill virtually assures our country's increased dependence upon imported oil and higher fuel prices for consumers. Furthermore, it is not the multi-national oil companies that will bear the major burden of this tax, but rather the royalty owners and independent oil producers scattered across the nine or ten major oil producing states. These people, far from being the rich oil barons as portrayed by the eastern press and misguided politicians, actually represent a diverse cross-section of our country.

They are farmers, merchants, laborers and management, school teachers, druggists, young and old, rich and poor, but most of them are people and not faceless entries in a computer. They represent the risk takers and entrepreneurs who are essential for our free enterprise system to function and be productive. The net result of the Windfall Profits Tax is quite simply the confiscation of private property and the unfair penalizing of a productive minority by a short-sighted Administration and ill-advised Congress.

In the first place, the name of the bill is misleading because it is not a tax on profits at all, but rather a tax on revenue which constitutes an excise tax. The United States Constitution stipulates that excise taxes are to be assessed equally and geographically; therefore, the constitutionality of H.R. 3919 is highly questionable since it is not so distributed. For example, North Slope Alaskan Oil and oil interests owned by certain Indian tribes are exempt from the tax.

When this tax was initially suggested by the Administration, the stated purpose was to insure that a substantial amount of the increased profits, not gross revenues, would be plowed back into oil exploration. Most of the American people supported this concept because it would have provided an incentive for oil producers to have increased their exploration activities. This would have resulted in the discovery of new domestic oil reserves with increased U.S. oil production being the net result. With this type of program, producers and consumers alike could have received well-deserved benefits. Our nation's dangerous dependence on foreign oil would have been reduced and the up spiral of petroleum prices would have been slowed due to the increase in supply. Many of the people in this room are farmers and no one knows better than us what an increase in supply will do to prices.

As time wore on, the Windfall Profits Tax became a revenue raising measure and the plow back provision was all but forgotten. While the name windfall profits continued to be used, H.R. 3919 became an unfair excise tax which has absolutely nothing to do with profit. The Administration and some members of the Congress began to develop programs that could be funded out of the resulting tax revenues; however, precious little was pledged for the development of new energy programs. In fact, while it is projected that over the next 10 years this tax will bring over 227 billion dollars into federal coffers, only 15 percent of this money is earmarked for new energy programs.

Over the next 10 years approximately 200 billion dollars will be spent on programs that will not develop nor produce one drop of oil or one BTU of additional energy. This money is not coming from the OPEC countries, is not coming from the major oil companies but is coming out of the pockets of royalty owners and independent oil producers in states like Oklahoma, Kansas and Texas. The results of this tax are devastating to the many royalty owners who receive very minimal income from their production. In many instances these folks have spent a lifetime paying for their land and the mineral rights which go with it. Now, in one quick action, their government is literally taking from them the private property which they have accumulated. The impact of this action will be felt in every small town and major city in the oil producing states. There will be less money spent, fewer jobs available and less incentive for folks to forge ahead in the private sector. This is wrong and, in my opinion, downright un-American.

As a part of my written testimony, I am including some examples of the amount of tax some of the Oklahoma royalty owners, who are primarily farmers, are paying. I trust that this committee will study these examples and use them in developing legislation to abolish or at least modify this law.

The royalty owners have no way to recoup the revenues lost as a result of the Windfall Profits Tax. They are at the mercy of their government and, quite frankly, their government has let them down. The farmers and royalty owners deserve better than this. They deserve to be treated fairly and equitably by their government; however, laws such as H.R. 3919 do just the opposite.

As the AAM of Oklahoma has stated on so many occasions, the family farm system is in serious financial trouble. USDA concurs that most farmers have to have outside income to survive and in Oklahoma a substantial amount of that income is from oil royalties. It makes no sense whatsoever for the Administration and the Congress to admit that farmers need non-farm income to survive and then proceed to confiscate that income.

Food and energy are vital to our nation's growth and survival. We have been blessed with an abundance of both, not because of government wisdom, but because of individual initiative. If our free enterprise system is allowed to work and all segments of our economy are treated equally, we will have plenty of energy and plenty food. The Windfall Profits Tax is a big step in the wrong direction and it has started us down the path of more government interference and bureaucratic hassle.

H.R. 3919 needs to be abolished or at least changed so that royalty owners and independent producers are exempt. We appreciate your efforts in our behalf and we stand committed to help you in any way we can.

WINDFALL PROFITS TAX DEDUCTIONS PAGE 1

OWNER NUMBER 45772

LEASE NO	WINDFALL PROFIT	OWNERS INTEREST	OWNERS GROSS VALUE	WFPT TAX DEDUCTED	OWNERS NET VALUE
08147-000	874.55	.0937500	367.49	57.41	284.04
08152-000	8,960.86	.0937500	1,590.79	504.05	974.03
08152-000	8,960.86	.0273437	463.98	147.01	284.10
			2,422.26	700.47	1,542.17

PLEASE NOTE THAT THE NEW 'WINDFALL PROFIT TAX' EFFECTIVE MARCH 1, 1980, HAS BEEN WITHHELD FROM THIS CHECK AS REQUIRED BY THE INTERNAL REVENUE SERVICE. THE AMOUNT OF THE TAX HAS BEEN DETERMINED BASED ON ALL INFORMATION SUPPLIED TO US AND OUR UNDERSTANDING OF THE IRS RULES AT THE TIME OF SUBMISSION OF DATA FOR THIS PAYMENT.

WINDFALL PROFITS TAX DEDUCTIONS PAGE 1

OWNER NUMBER 45775

LEASE NO	WINDFALL PROFIT	OWNERS INTEREST	OWNERS GROSS VALUE	WFPT TAX DEDUCTED	OWNERS NET VALUE
08147-000	874.55	.0273437	107.18	16.75	82.84
			107.18	16.75	82.84

PLEASE NOTE THAT THE NEW 'WINDFALL PROFIT TAX' EFFECTIVE MARCH 1, 1980, HAS BEEN WITHHELD FROM THIS CHECK AS REQUIRED BY THE INTERNAL REVENUE SERVICE. THE AMOUNT OF THE TAX HAS BEEN DETERMINED BASED ON ALL INFORMATION SUPPLIED TO US AND OUR UNDERSTANDING OF THE IRS RULES AT THE TIME OF SUBMISSION OF DATA FOR THIS PAYMENT.

— STATES ENERGY CORPORATION • DISBURSEMENT ACCOUNT

DETACH & RETAIN THIS STATEMENT [illegible]

	LEASE NUMBER	LEASE SALES	CODE	TAXES	OTHER	NET VALUE	YOUR INTEREST	
							DECIMAL INTEREST	NET VALUE
90	[redacted]	396.00	O	1093.67	247.60 Windfall Profit Tax	14342.78	.11718700	1,433.19
ND	[redacted]	CODE O=OIL G=GAS P=NET PARTNERSHIP PROFIT						1,433.19

RETAIN THIS STATEMENT FOR TAX PURPOSES

DUPLICATES WILL NOT BE FURNISHED

MUSTANG GAS PRODUCTS COMPANY
1100 FIRST NATIONAL CENTER - EAST
OKLAHOMA CITY, OK. 73102

OWNER WINDFALL PROFITS TAX STATEMENT
FOR PRODUCTION DURING 3/80

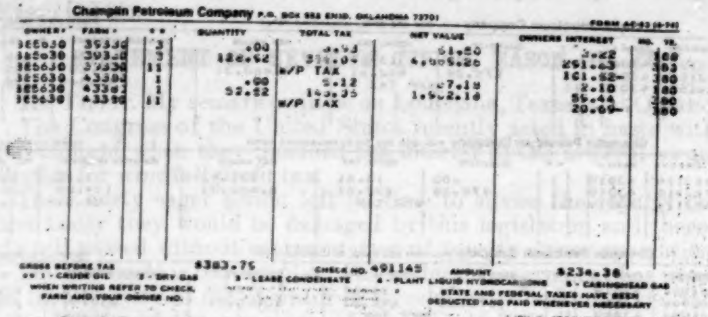
PAGE 1

OWNER NUMBER - 21395 OWNER NAME - ADALIA JANTZEN

TIER CODES
2 - UPPER TIER
3 - STRIPPER
4 - NEWLY DISCOVERED
D - DECONTROLLED UPPER TIER

NOTE TO OWNER - VOLUMES PER THIS STATEMENT DO NOT INCLUDE LOWER TIER PRODUCTION AS IT IS EXEMPT FROM THE WINDFALL PROFITS TAX.

LEASE NO.	SUB	TIER CODE	TIER VOLUME	TIER GROSS VALUE	TIER BASE VALUE	SEVERANCE TAX ADJUSTMENT	WINDFALL PROFIT	TAX RATE	WINDFALL PROFIT TAX
310090	15	2	4.35	62.60	59.33	.23	3.04	50%	1.52
		D	.70	27.90	9.55	1.30	17.05	50%	8.53
								SUB-TOTAL	10.05
								TOTAL WINDFALL PROFIT TAX WITHHELD	$10.05



Champlin Petroleum Company P.O. BOX 552 ENID, OKLAHOMA 73701

FORM AC-63 (6-78)

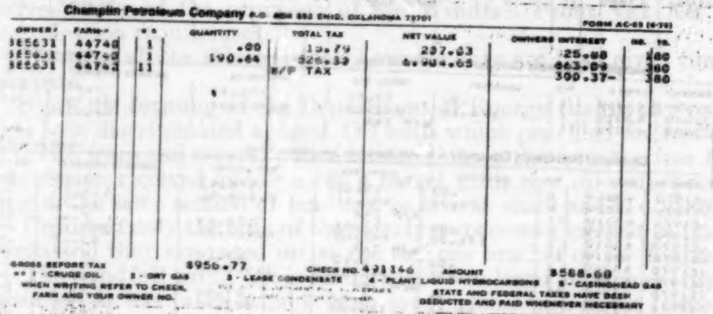
OWNER #	FARM #	* *	QUANTITY	TOTAL TAX	NET VALUE	OWNERS INTEREST	NO. TR.
365630	39330	3	.00	[illegible]	51.50	2.22	100
365630	39330	3	186.52	314.04	4,905.20	291.63	303
365630	39330	11		W/P TAX		161.52-	300
365630	43380	1	.00	5.12	27.18	2.10	100
365630	43382	1	52.52	143.35	1,562.18	55.44	200
365630	43390	11		W/P TAX		20.69-	300

GROSS BEFORE TAX $383.75 CHECK NO. 491145 AMOUNT $234.38

** 1 - CRUDE OIL 2 - DRY GAS 3 - LEASE CONDENSATE 4 - PLANT LIQUID HYDROCARBONS 5 - CASINGHEAD GAS

WHEN WRITING REFER TO CHECK, FARM AND YOUR OWNER NO.

STATE AND FEDERAL TAXES HAVE BEEN DEDUCTED AND PAID WHENEVER NECESSARY



Champlin Petroleum Company P.O. BOX 552 ENID, OKLAHOMA 73701

FORM AC-63 (6-78)

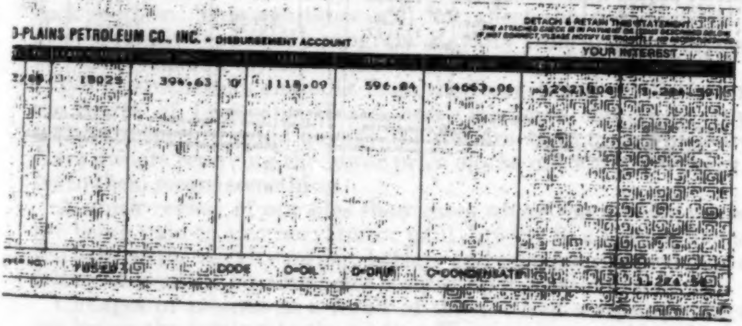
OWNER #	FARM #	* *	QUANTITY	TOTAL TAX	NET VALUE	OWNERS INTEREST	NO. TR.
365631	44740	1	.00	13.79	237.83	25.88	100
365631	44740	1	190.64	526.33	6,904.65	663.09	300
365631	44743	11		W/P TAX		300.37-	300

GROSS BEFORE TAX $956.77 CHECK NO. 491146 AMOUNT $588.60

** 1 - CRUDE OIL 2 - DRY GAS 3 - LEASE CONDENSATE 4 - PLANT LIQUID HYDROCARBONS 5 - CASINGHEAD GAS

WHEN WRITING REFER TO CHECK, FARM AND YOUR OWNER NO.

STATE AND FEDERAL TAXES HAVE BEEN DEDUCTED AND PAID WHENEVER NECESSARY



DETACH & RETAIN THIS STATEMENT

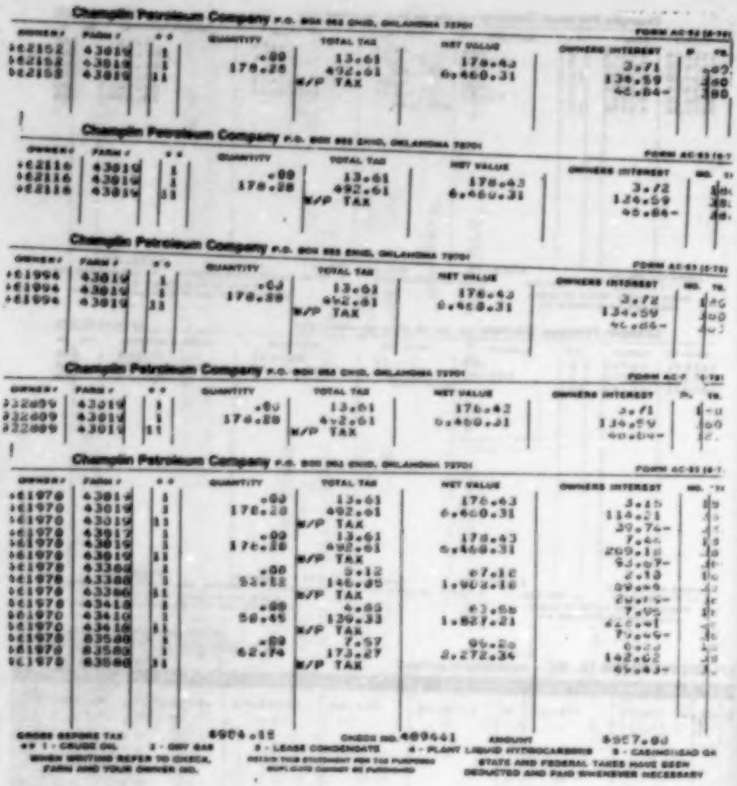
THE ATTACHED CHECK IS IN PAYMENT OF ITEMS DESCRIBED BELOW. IF NOT CORRECT, PLEASE NOTIFY US PROMPTLY. NO RECEIPT DESIRED.

-PLAINS PETROLEUM CO., INC. • DISBURSEMENT ACCOUNT

YOUR INTEREST

2/80	[illegible]	18025	394.63	O	1118.09	596.84	14063.06	.12421[illegible]	1,284.50

OWNER NO. 785207 CODE O-OIL D-DRIP C-CONDENSATE 1,284.50



Champlin Petroleum Company P.O. BOX [illegible] ENID, OKLAHOMA 73701

FORM AC-93 (8-78)

OWNER #	FARM #	P C	QUANTITY	TOTAL TAX	NET VALUE	OWNERS INTEREST
062152	43019	1	.00	13.61	176.43	3.71
062152	43019	1	170.28	492.61	6,460.31	134.59
062152	43019	11		W/P TAX		46.84-

Champlin Petroleum Company P.O. BOX [illegible] ENID, OKLAHOMA 73701

FORM AC-93 (8-7

OWNER #	FARM #	P C	QUANTITY	TOTAL TAX	NET VALUE	OWNERS INTEREST
062116	43019	1	.00	13.61	176.43	3.72
062116	43019	1	170.28	492.61	6,460.31	124.59
062116	43019	11		W/P TAX		45.84-

Champlin Petroleum Company P.O. BOX [illegible] ENID, OKLAHOMA 73701

FORM AC-93 (8-78)

OWNER #	FARM #	P C	QUANTITY	TOTAL TAX	NET VALUE	OWNERS INTEREST
061996	43019	1	.00	13.61	176.43	3.72
061996	43019	1	170.28	492.61	6,460.31	134.59
061996	43019	11		W/P TAX		46.84-

Champlin Petroleum Company P.O. BOX [illegible] ENID, OKLAHOMA 73701

FORM AC-

OWNER #	FARM #	P C	QUANTITY	TOTAL TAX	NET VALUE	OWNERS INTEREST
032809	43019	1	.00	13.61	176.43	3.71
032809	43019	1	176.28	492.61	6,460.31	134.59
032809	43019	11		W/P TAX		46.84-

Champlin Petroleum Company P.O. BOX [illegible] ENID, OKLAHOMA 73701

FORM AC-93 (8-7

OWNER #	FARM #	P C	QUANTITY	TOTAL TAX	NET VALUE	OWNERS INTEREST
061970	43019	1	.00	13.61	176.43	3.15
061970	43019	1	170.28	492.61	6,460.31	114.21
061970	43019	11		W/P TAX		39.74-
061970	43017	1	.00	13.61	176.43	7.44
061970	43019	1	176.28	492.61	6,460.31	269.18
061970	43019	11		W/P TAX		93.67-
061970	43380	1	.00	5.12	67.12	2.13
061970	43380	1	52.12	146.05	1,902.18	69.46
061970	43380	11		W/P TAX		24.19-
061970	43410	1	.00	4.65	63.56	7.95
061970	43410	1	50.45	130.33	1,827.21	226.01
061970	43410	11		W/P TAX		79.46-
061970	83580	1	.00	7.57	95.20	6.23
061970	83580	1	62.74	173.27	2,272.34	142.62
061970	83580	11		W/P TAX		49.43-

GROSS BEFORE TAX $904.15 CHECK NO. 409441 AMOUNT $557.03

** 1 - CRUDE OIL 2 - DRY GAS 3 - LEASE CONDENSATE 4 - PLANT LIQUID HYDROCARBONS 5 - CASINGHEAD GA

WHEN WRITING REFER TO CHECK, FARM AND YOUR OWNER NO.

RETAIN THIS STATEMENT FOR TAX PURPOSES DUPLICATE CANNOT BE FURNISHED

STATE AND FEDERAL TAXES HAVE BEEN DEDUCTED AND PAID WHENEVER NECESSARY

Mr. Boren. Our next witness is Nevelyn Tippit representing the Eason Oil Co.

STATEMENT OF NEVELYN TIPPIT, EASON OIL CO.

Ms. Tippit. My remarks will be on Louisiana, Texas, and Oklahoma.

The Congress of the United States recently acted in haste without forethought when they included the interest of the mineral owner as eligible for windfall profit tax.

Their hasty eager action left no time to advise the royalty owner how badly they would be damaged by this legislation and therefore the bill passed without representation of royalty owner opposition.

The law itself is too complex. The Federal Government has imposed on the integrity of the operator or some other person to advise the interest owner of the provision of the Windfall Profit Tax Act and certification requirements.

Worst of all the elderly royalty owners have not been given time to prepare.

Since the forming of the Department of Energy the royalty owner has been discriminated against. Oil wells which provided the fuel during two wars and several police actions to keep this country free from repression received as low as $6 a barrel while new oil wells producing in the same section of land can receive as much as $30 a barrel.

Unfortunately the bulk of the elderly owners own interest in the old wells and they are taxed under the tier one bracket or the highest.

The windfall profit tax is ambiguous as to lower income energy assistance. It has taken money from low incomes and never turned it back to them. This assistance will not affect the status of the low-income family food stamp program. Royalty from an oil well does not necessarily make a royalty owner rich.

We receive letters annually from the Department of Welfare from the States of Louisiana, Texas, and Oklahoma concerning royalty interest owners who do qualify for welfare assistance. These are always owners receiving the lower price on the old wells and every dollar to them means something.

A quick review of our files show cases where the royalty payments are being paid to a conservator or paid directly to a nursing home for the care of the royalty owner. Letters and telephone calls to our office tell us of monthly nursing home costs of up to $700 or more.

Changes of interest as a result of the death of a royalty owner often leaves the interest to the widow. This income provides them with security and allows them to be independent of Government assistance. Many elderly people are much too proud to ask for aid.

We had an 80-year-old woman in Canadian County that has within this past year received her first royalty checks. Some money was used for repairs to her home, but a large portion was used to pay her nursing care during an illness this winter.

A 47-year-old royalty owner who has contacted us said he had been with a transportation service company for 18 years and has now been laid off. This owner still has a family to support and his monthly royalty income is now his livelihood.

The royalty owner should be exempt from the windfall profit tax and most assuredly should have the right to any exemption that an independent or anyone else has.

Under the disguise of the Windfall Profit Tax Act the Federal Government was actually taking steps toward nationalization of a portion of the royalty owners minerals. These minerals were legally awarded to us by the Constitution of the United States.

I shall not comment on the exemption of the Indian leases or Alaskan oil.

For quite some time journalists have played with the minds of the people and have written editorials about oil company's exploitation and ripoffs.

Our Congressmen are supposed to be able to separate facts from fiction. Having worked for a major oil company and having held stock in that company, I know for a fact that for a 2-year period the reported profits were derived from their coal, uranium and copper.

This major company had also invested in research and development of detergents, polyester, polyethylene and other plastic resins as well as nitrogen, sulfates, and chemicals.

It is well within the realm of probability that these major companies will recoup the money lost through windfall profit tax by increasing the price of these products and the consumer will see an increase in the cost of fabrics, fertilizer, soap, tires, and household items made from plastics.

How is the royalty owner going to offset these losses? He has no way to recover. We are taking money from the elderly, the low-income and middle-income families to maintain defunct businesses who have perpetrated their very own bankruptcy.

The royalty owners of this Nation are being exploited. I will not go into each one of our losses of our land. I know that if I had known then what I know now about windfall profits I would have had no incentive to allow the drilling of a well on my property.

I am sure many landowners feel the very same way I do, and this country will see a large decline in the leasing of land and the drilling of wells.

Thank you.

Mr. **Boren**. Thank you for your very fine testimony.

If there are any case histories from your company's records that you would like to place into the record at a later time, we would be happy to receive them.

Ms. **Tippit**. I have some additional statements that I would like to put in.

Mr. **Boren**. We will put the entire statement in the record if you will give it to them over here.

We will be happy to receive any other evidence that you would like to give us.

Mr. **Dole**. Mr. Chairman, I want to thank her for an excellent statement. I also want to note in the record at this point that I had a call from Judge Osro Cobb of Little Rock, Ark., yesterday who wanted to be here today but couldn't make it because of transportation difficulties.

He will be filing a statement on behalf of the Arkansas Stripper Well Association. I think it is another indication that it is not something that will just affect just Oklahoma or my State. It affects a number of States as the last witness has just indicated.

Mr. Boren. His statement will be placed in the record.

[The full statement of Ms. Tippit is as follows:]

Summary of Principal Points

Proper notification was not given to the royalty owners before passage of the Windfall Profits Tax Act.

Effective date of the Windfall Profits Tax Act did not allow time for all persons to receive information as to the application of the Act or requirements for certification.

Windfall Profits Tax Act discriminates against the royalty owners as to Race—Creed, taxation at different levels and selective exemptions.

Windfall Profits Tax Act will increase the cost of some products and will become inflationary in nature.

Windfall Profits Tax Act creates a lack of incentive for a mineral owner to lease his rights to allow the drilling of wells.

Windfall Profits Tax Act appears to be the first step toward nationalizing mineral rights.

The Congress of the United States recently acted in haste without forethought when they included the interest of the mineral owner as eligible for Windfall Profit Tax.

Their hasty eager action left no time to advise the royalty owner by how badly they would be damaged by this legislation and therefore the bill passed without representation of royalty owner opposition. In addition to this quick action of pasing the WPTA the effective date of the measure allowed no time to prepare or obtain information concerning how the windfall profit tax would be applied. Certification forms had to be devised and prepared, new employees had to be hired to handle the crisis. Computer programmers without benefit of knowledge of the WPTA had to write programs which now we find are inadequate and incorrect. The inefficient mail service had many independent producers concerned as to whether their certification letters would reach their destination in time. Penalties as to the misfiling of certification and using the wrong tier posting are not understood. The law itself is too complex. The Federal government has imposed on the integrity of the operator or some other person to advise every interest owner of the provisions of the Windfall Profit Tax Act and certification requirements. Worst of all the elderly royalty owners who depended upon their royalty check as their means of support found their income cut and they were not given time to prepare for the change.

Since the forming of the Department of Energy the royalty owner has been discriminated against. Oil wells which provided the petroleum during two wars and a police action to keep this country free from oppression receive as low as $6.00 a barrel, while new wells producing from the same section of land can receive as much as $39.00 a barrel.

Unfortunately the bulk of our elderly royalty owners own interest in the old wells and are taxed under the tier one bracket—70 percent.

The WPTA is ambiguous as to Lower Income Energy Assistance. WPTA authorizes the appropriation of funds to assist lower income individuals. This assistance will not affect their status as to the Food Stamp Program. Royalty from an oil well does not necessarily make a royalty owner rich.

We receive annual letters of inquiry from the Department of Welfare from the States of Louisiana, Texas and Oklahoma, concerning a royalty interest owners qualifying for welfare assistance. These are always owners receiving the lower price on old wells. Every dollar to these owners means something.

A quick review of our files showed cases where royalty payments are being made to a Conservator or paid directly to a Nursing Home for the care of the royalty owner. Letters and telephone calls to our office tell us of monthly nursing home cost of $700.00 or more.

Changes of interest as a result of the death of a royalty owner often leaves the interest to the widow. This income provides them with security and allows them to be independent of government assistance. Many elderly people are too proud to ask for aid.

We have an 82-year-old woman in Canadian county that has within the past year received her first royalty checks. Some mony was used to make needed repairs to her home and a very large portion was used to pay for her nursing care due to illness.

A 47-year-old royalty owner who had 18 years of service with a transportation company has been laid off. This owner still has a family to support. This modest royalty interest which comes from old wells under tier 1 posting is his only means of livelihood.

The royalty owner should be exempt from the WPTA, and most assuredly should have more right to the 1000 barrel exemption than any other interest owner. Under the disguise of WPTA the Federal Government is actually taking steps toward nationalization of a portion of the royalty owners' minerals. These minerals were legally awarded to them by the Constitution of the United States.

I shall not comment on the exemption of the Indian leases or Alaskan Oil.

I am well aware of the cost that has been encountered by the company I work for in trying to set up the personnel and staff to handle the WPTA. I am wondering if Congress has taken into consideration what the cost will be to supply extra personnel and Office space to handle this newest segment of bureaucracy (soon to be deficient in initiative and flexibility).

For quite some time journalists who do not know from whence they speak, have been allowed to play with the minds of the people and have written editorials about oil companies' exploitation and ripoffs. Had these charges been rendered through a court of law the case would have most likely been declared a mistrial for lack of evidence and pretrial publicity. Our congressmen are suppose to be able to separate fact from fiction. Some have fallen into complacency and believe everything they read.

Having worked for a major oil company and having held stock in that company I know for a fact that for a 2-year period the reported profits were derived from their development of coal, uranium and copper. These major companies have also invested in research and development of detergents, polyester, polyethylene, polystyrene and other plastic resins as well as nitrogen, sulfates, and other chemicals. It is well within the realm of probability that these major companies will recoup the money lost through WPTA by increasing the price of these products and the consumer will see an increase in the cost of fabrics, fertilizer, soap, tires and household items made from plastic, etc.

How is the royalty owner who is taxed as the large corporation going to offset his loss. He has no way to recover. We are taking money from the elderly, the low- and middle-income families to maintain defunct businesses because those businesses perpetrated their very own bankruptcy. The royalty owners of the nation are being exploited. The royalty owners are not given a tax break as are the larger corporation or the bankrupt business.

All royalty owners suffer the loss of usable land because of the drilling of these wells. I personally have lost income from my land by the drilling of a well due to the fact that egress to the well could not be made by entering from the closest point. The state would not allow widening of the culvert to the existing drive. Encroachment of the city limits upon my property brought in the actions of the Metropolitan Area Planning Commission (MAPC). The location of the lease road had to be placed so further development of the area would comply with MAPC recommendations. This lease road divided the 40 acres of land and has made it next to impossible to farm or harvest with modern farming machinery.

For conservation purposes I try to farm the land even though it is not economically feasible to do so.

Had I known then what I know now about windfall profits, I would have had no incentive to allow the drilling of the well on my property. I am sure there are many land owners who will feel the same way and this country will see a large decline in the leasing of land and the drilling of wells.

I am requesting that these thirty-seven (37) cases handed herewith be included into my testimony.

You will note that these cases show evidence of royalty owners over the age of eighty; several are under nursing home care, one legally blind, and another still working for an irrigation company. Two royalty owners are concerned as to whether they will have enough savings for their burial. Other cases show owners unemployed, disabled, recipients of Welfare or receiving social security.

You will also note royalty interests of less than $30.00 a month and wells which produce less than ten (10) barrels a month. I have forwarded an additional one hundred and fifty (150) cases to Senator Boren's office for further reference.

ACCOUNT OWNER NO. 31235 NAME Henry Etta Gee

P. O. Box 336
Sulphur Springs Texas 75482

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☒ Older ☐

I am

☐ Widow
☐ Divorced
☒ Un-Employed
☐ Disabled
☐ Receiving Welfare Assistance Not Yet
☒ Receiving Social Security
☐ Under Nursing Home Care
☐ Others

Comments: My only income is from Social Security and very small Royalty checks. The W.P.T is taking a Big Part of These small checks. Please Help me.

My check before Windfall Profits Tax $1.83

My check after Windfall Profits Tax $________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☒ 50% ☐ 70% ☐ More

I am being Taxed on
☐ Tier 1
☐ Tier II
☐ Tier III
☐ Do Not Know

☐ I receive $________ per barrel of Oil

☐ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO.________________ NAME: IZETTA WHITE
MERIDIAN - MISS. 39301

I am the owner of a Royalty ☒ Override ☐ Small Working ☒ interest which is being taxed by the Windfall Profit Tax Act. too complicated

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒

I am

☒ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☐ Receiving Social Security 130.00 monthly

☐ Un-Employed ☒ Under Nursing Home Care

☐ Disabled ☐ Others

Comments: Izetta White is [illegible] in nursing home with [illegible] help from [illegible], has about 17,500.00 year income from [illegible] about 8,000.00 a year [illegible] 6,000.00 - she does not [illegible] Windfall Profit Tax. [illegible] Windfall Profit tax on [illegible] inflation takes it all. [illegible]

My check before Windfall Profits Tax $________

My check after Windfall Profits Tax $________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☒ Tier I
☒ Tier II
☐ Tier III
☐ Do Not Know

☐ I receive $________ per barrel of Oil

☐ I do not know price per barrel of Oil

too complicated

Did you realize that Windfall Profit Tax would affect your interest? Yes ☐ No ☐

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[illegible] income is from [illegible], Exxon, Amerada Hess, [illegible], [illegible]

OWNER NO. C.703915 NAME Minnie Dooley

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ Interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☒ Receiving Social Security

☐ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☐ Others

Comments: I am 88 yrs old and don't have a car and need all I get to live on.

My check before Windfall Profits Tax $________

My check after Windfall Profits Tax $________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☒ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I

☐ Tier II

☐ Tier III

☒ Do Not Know

☐ I receive $________ per barrel of Oil

☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☒ No ☐

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P-60469

OWNER NO. P-60464 NAME Benjamin F. Nelson,
Anna J. Nelson (deceased) Transferred to above.

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒

I am

☐ Widow
☐ Divorced
☐ Un-Employed
☐ Disabled
☐ Receiving Welfare Assistance
☒ Receiving Social Security
☒ Under Nursing Home Care
☐ Others

Comments: ____________________

My check before Windfall Profits Tax $________

My check after Windfall Profits Tax $________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25%-(33%) ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I
☐ Tier II
☐ Tier III
☐ Do Not Know

☐ I receive $________ per barrel of Oil
☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☒ No ☐

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO.______________ NAME Ina Bean

I am the owner of a
Royalty ☒
Override ☐
Small Working ☐
interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒

I am

☒ Widow
☐ Divorced
☐ Un-Employed
☒ Disabled

☐ Receiving Welfare Assistance
☒ Receiving Social Security
☐ Under Nursing Home Care
☐ Others

Comments: I am a widow 81 years legally blind I have to hire some one to stay in the house with me at a cost of 400.00 a month my S S is less than 200.00 I am having to use up my savings to pay my Bills

My check before Windfall Profits Tax $728.00

My check after Windfall Profits Tax $680.00

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I
☐ Tier II
☐ Tier III
☒ Do Not Know

☐ I receive $________ per barrel of Oil

☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

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Property #

OWNER NO. 35-00525-01-
-0-0
NAME William B. Marshall (55-389-03-2557)
Belfast, Maine

I am the owner of a
Royalty ☐
Override ☐
Small Working ☒
interest which is being taxed by the Windfall Profit Tax Act. if it applies to gas wells -

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒ 82

I am

☐ Widow	☐ Receiving Welfare Assistance
☐ Divorced	☒ Receiving Social Security
☐ Un-Employed	☐ Under Nursing Home Care
☐ Disabled	☐ Others

Comments: The gas well in which I have a very small working interest 4.667 acres - charges me for expenses that are sometimes more than my royalty checks - How can I afford Windfall Taxes, too?

My check before Windfall Profits Tax $________

My check after Windfall Profits Tax $________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on
☐ Tier I
☐ Tier II
☐ Tier III
☒ Do Not Know

☐ I receive $________ per barrel of Oil
☐ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

Does this apply to royalty from gas well?

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03810

OWNER NO. 0003589 NAME Adda Maud Blasdel

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☒ 69 Older ☐

I am

☐ Widow	☐ Receiving Welfare Assistance
☐ Divorced	☒ Receiving Social Security
☐ Un-Employed	☐ Under Nursing Home Care
☐ Disabled	☐ Others

Comments: My husban is 80 this Aug. & is still working for Rice Irrigaton Co. Richmond Tex

My check before Windfall Profits Tax $ 51.84

My check after Windfall Profits Tax $ 38.61

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☒ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I

☐ Tier II

☐ Tier III

☐ Do Not Know

☐ I receive $________ per barrel of Oil

☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO.__________ NAME Stella I Loomis

I am the owner of a Royalty ☐ Override ☒ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒ 83

I am

☒ Widow
☐ Divorced
☐ Un-Employed
☐ Disabled
☐ Receiving Welfare Assistance
☒ Receiving Social Security
☐ Under Nursing Home Care
☐ Others

Comments: Too bad when we older folks get a little income to use to buy the things we've always done without now it is to be taxed. I'm against it

My check before Windfall Profits Tax $ 125

My check after Windfall Profits Tax $ 99

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier 1
☐ Tier II
☐ Tier III
☐ Do Not Know

☐ I receive $______ per barrel of Oil

☐ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

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OWNER NO._______________ NAME Lena B. Mize

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒

I am

☒ Widow
☐ Divorced
☐ Un-Employed
☐ Disabled
☐ Receiving Welfare Assistance
☒ Receiving Social Security
☐ Under Nursing Home Care
☐ Others

Comments: I Am 80 years old on a fixed income. Thewind fall profits tax has hurt my income Severely. I Think it is unfair and Should be Repealed.

My check before Windfall Profits Tax $ 769.65

My check after Windfall Profits Tax $ 26665

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% 30% ☐ 50% ☐ 70% ☐ More

I am being Taxed on
☐ Tier I
☐ Tier II
☐ Tier III
☒ Do Not Know

☒ I receive $ 36 per barrel of Oil
☐ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☒ No ☐

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OWNER NO. 0004148 NAME A W [illegible]

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒ 82

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☑ Receiving Social Security

☐ Un-Employed ☐ Under Nursing Home Care

☑ Disabled ☒ Others

Comments: ______________________________

My check before Windfall Profits Tax $__________

My check after Windfall Profits Tax $__________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☒ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier 1

☐ Tier II

☐ Tier III

☒ Do Not Know

☐ I receive $________ per barrel of Oil

☐ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

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- -

OWNER NO. Several small Interest NAME Isabell Higgins

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒

I am

☒ Widow
☐ Divorced
☐ Un-Employed
☐ Disabled
☐ Receiving Welfare Assistance
☒ Receiving Social Security
☒ Under Nursing Home Care
☐ Others

Comments: I have income From Social Security, oil + Gas Royalty's, interest on Savings account. I Pay my own way. Nursing Homes are expensive, rates are going up again July 1980. Any Further drop in income will mea

My checks before Windfall Profits Tax $ 792.01 I Cannot Pay my own way

My checks after Windfall Profits Tax $ 558.87 Average 30% Tax

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I
☐ Tier II
☐ Tier III
☒ Do Not Know

☐ I receive $________ per barrel of Oil

☐ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

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0

acct no.

OWNER NO. ? 000 3748 NAME Mrs. A.B. Edwards

I am the owner of a Royalty ☐ Override ☑ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☑

I am

☑ Widow ☐ Receiving Welfare Assistance no

☐ Divorced ☑ Receiving Social Security yes (S.S.) 433-36-6323

☑ Un-Employed (retired) ☐ Under Nursing Home Care no

☑ Disabled ☐ Others I live in my home with [illegible]

Comments: My check was $177.33 I do not know whether it is before or after the Windfall profit Tax. (Check date 5-20-80) (Such information is not available to me.)

My check before Windfall Profits Tax ?$________

My check after Windfall Profits Tax ?$________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I

☐ Tier II

☐ Tier III

☐ Do Not Know

☐ I receive $________ per barrel of Oil

☑ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☑ no

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OWNER NO. acc No. 25560 NAME Mildred L. Whitmore Ehlers
lease No. 007335

I am the owner of a Royalty ☒ / Override ☐ / Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☒ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☒ Divorced ☐ Receiving Social Security 178.80

☐ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☐ Others

Comments: I am the only care taker of my mother 86 yrs of age - unable to take get steady employment & this is every thing I can get - especially when it was mine in the beginning - This is outrageous —

My check before Windfall Profits Tax $?

My check after Windfall Profits Tax $?

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on ☐ I receive $_______ per barrel of Oil

☐ Tier I

☐ Tier II ☒ I do not know price per barrel of Oil

☐ Tier III

☒ Do Not Know

Did you realize that Windfall Profit Tax would effect your interest? Yes ☒ No ☐

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OWNER NO. 7 NAME Benjamin C. Weldon

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒

I am

☐ Widow	☐ Receiving Welfare Assistance
☐ Divorced	☒ Receiving Social Security
☐ Un-Employed	☒ Under Nursing Home Care
☐ Disabled	☐ Others

Comments:

My check before Windfall Profits Tax $

My check after Windfall Profits Tax $

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% [✓ 30%] ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I

☐ Tier II

☐ Tier III

☒ Do Not Know

☐ I receive $________ per barrel of Oil

☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☒ No ☐

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best copy available

OWNER NO. 355 **NAME** Hilda E & James B Banker

I am the owner of a Royalty ☐ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☒ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☑ Receiving Social Security

☒ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☐ Others

Comments:

Hobbs N.M.
6-11-80

Sir

Im not sure this is what you want but we finish it. There's a lot I don't know but as you see the government is taking too much. Saving for burial expenses & if not who will bury us - were 73 - sugar D & heart problems.

03550 Hilda E James B. Banker.

Did you realize that Windfall Profit Tax would effect your interest? Yes ☒ No ☐

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Acct no.
OWNER NO. 859095 NAME Ruth E Mabee

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☒

I am

☒ Widow ☒ Receiving Welfare Assistance
☐ Divorced ☐ Receiving Social Security
☐ Un-Employed ☐ Under Nursing Home Care
☐ Disabled ☐ Others

Comments: I really think this Windfall Tax is very un fair to both the oil men and we people with Our Royalty are holding with this high cost of living etc. It takes almost all we can get to make both Ends meet.

My check before Windfall Profits Tax $______ We only receive a check every 6 months

My check after Windfall Profits Tax $______ I don't know if it has changed or not

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on ☐ I receive $______ per barrel of Oil
☐ Tier 1
☐ Tier II ☒ I do not know price per barrel of Oil
☐ Tier III
☒ Do Not Know

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☐

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Account # 26289

OWNER NO. [illegible] NAME Fred Edom

I am the owner of a Royalty ☐ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☑ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☑ Receiving Social Security

☐ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☑ Others

Comments: I have high blood Pressure in take approximately 80% of week day (Hospital beds). Just out of hospital.

My check before Windfall Profits Tax $ 1 62

My check after Windfall Profits Tax $ ______

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I

☐ Tier II

☐ Tier III

☐ Do Not Know

☐ I receive $ ______ per barrel of Oil

☑ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☐

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6-9-80

OWNER NO. 26400 NAME Armand R. Ervin Sr.

I am the owner of a Royalty ☑ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☑ 36-47 ☐ 48-60 ☐ 61-75 ☐ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☐ Receiving Social Security

☐ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☑ Others

Comments: Employed making $250.00/month, Wife employed making $250.00/month, I am a student at Atlanta School of Biblical Studies and depend heavily on Royalty Interest to live and support my wife and two children. Used to receive $350.00/month Royalty Interest. Now I only receive about $200/month from different Royalty Interest. Windfall Tax has severly hurt my living.

My check before Windfall Profits Tax $________

My check after Windfall Profits Tax $________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on ☐ I receive $________ per barrel of Oil

☒ Tier 1 ☒ I do not know price per barrel of Oil

☐ Tier II

☐ Tier III

☐ Do Not Know

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☐

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OWNER NO. 36270 NAME Mary E. Heil

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☒ 61-75 ☐ Older ☐

I am

☒ Widow
☐ Divorced
☐ Un-Employed
☐ Disabled
☐ Receiving Welfare Assistance
☐ Receiving Social Security
☐ Under Nursing Home Care
☒ Others - Still working

Comments: Due to failing health, I had hoped to retire in a few months - But finances may not allow me to, if we can't get these taxes changed.

My check before Windfall Profits Tax $?

My check after Windfall Profits Tax $ 39.70

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☒ 30% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier 1
☐ Tier II
☐ Tier III
☒ Do Not Know

☐ I receive $________ per barrel of Oil

☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☒ No ☐

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OWNER NO. 005510100 NAME Derald D Brainard

I am the owner of a
Royalty ☑
Override ☐
Small Working ☐
interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☑ 48-60 ☐ 61-75 ☐ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☐ Receiving Social Security

☐ Un-Employed ☐ Under Nursing Home Care

☑ Disabled ☐ Others

Comments:

My check before Windfall Profits Tax $

My check after Windfall Profits Tax $

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☑ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier 1

☐ Tier II

☐ Tier III

☑ Do Not Know

☐ I receive $ per barrel of Oil

☑ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☑

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO.________________ NAME Lynn T. McDonald

I am the owner of a Royalty ☒ / Override ☐ / Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☒ 48-60 ☐ 61-75 ☐ Older ☐

I am

☐ Widow	☐ Receiving Welfare Assistance
☐ Divorced	☐ Receiving Social Security
☒ Un-Employed	☐ Under Nursing Home Care
☐ Disabled	☐ Others

Comments:____

My check before Windfall Profits Tax $__________

My check after Windfall Profits Tax $__________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☒ 50% ☐ 70% ☐ More

I am being Taxed on ☐ I receive $________ per barrel of Oil

☐ Tier I ☒ I do not know price per barrel of Oil

☐ Tier II

☐ Tier III

☒ Do Not Know

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

PLEASE RETURN THIS FORM TO NIVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO. P-22567 NAME STEPHEN A. DOUGLAS

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☒ 48-60 ☐ 61-75 ☐ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☐ Receiving Social Security

☒ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☐ Others

Comments:

My check before Windfall Profits Tax $

My check after Windfall Profits Tax $

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☒ 70% ☐ More

I am being Taxed on

☐ Tier I

☐ Tier II

☐ Tier III

☒ Do Not Know

☐ I receive $ per barrel of Oil

☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

Executrix and Beneficiary of
Lewis E. Collins estate

acct 20.

OWNER NO. P65980 NAME Gladys E. Perkins (sister)

I am the owner of a Royalty ☑ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☑ Older ☐

I am

☑ Widow	☐ Receiving Welfare Assistance
☐ Divorced	☑ Receiving Social Security
☐ Un-Employed	☐ Under Nursing Home Care
☑ Disabled	☐ Others

Comments: I am paying off my husbands obligations and Very much opposed to this Tax. Have written to Senators Tower & Bensen of Texas. This is an unfair Tax.

My check before Windfall Profits Tax $ 1115.32 April Check

My check after Windfall Profits Tax $ 795.50 May Check.

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I

☐ Tier II

☐ Tier III

☑ Do Not Know

☐ I receive $________ per barrel of Oil

☑ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☑ No ☐

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO. 41500 NAME J. W. Jeffries

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☒ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance
☐ Divorced ☒ Receiving Social Security
☒ Un-Employed ☐ Under Nursing Home Care
☐ Disabled ☐ Others

Comments: We worked hard to get the Land, Done without when we could kinda got along He Came long and Took it away from us We are not Very happy about it

My check before Windfall Profits Tax $________

My check after Windfall Profits Tax $________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☒ 70% ☐ More

I am being Taxed on
☐ Tier I
☐ Tier II
☒ Tier III
☒ Do Not Know

☐ I receive $________ per barrel of Oil
☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☒ No ☐

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO. P 30505 NAME Margie L. Garrett

I am the owner of a Royalty ☐ / Override ☐ / Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☑ 61-75 ☐ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☑ Divorced ☐ Receiving Social Security

☑ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☐ Others

Comments: My entire income is from Oil & Gas Royalties so this new tax is a definite hardship on me.

My check before Windfall Profits Tax $22.87

My check after Windfall Profits Tax $19.10

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on ☐ I receive $________ per barrel of Oil

☐ Tier I ☑ I do not know price per barrel of Oil

☐ Tier II

☐ Tier III

☑ Do Not Know

Did you realize that Windfall Profit Tax would effect your interest? Yes ☑ No ☐

PLEASE RETURN THIS FORM TO REVILYN TITPIT, in care of KASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO. 0516920 NAME Frank & Opla Lawrence

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☒ 61-75 ☐ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☐ Receiving Social Security

☐ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☐ Others

Comments: I am almost 60 years old & have 80 acres Royalty & This money is what we used for Gas & Utility

My check before Windfall Profits Tax $ 231.89

My check after Windfall Profits Tax $ 106.76

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I

☐ Tier II

☐ Tier III

☒ Do Not Know

☐ I receive $________ per barrel of Oil

☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO. ______________ NAME James M. Britt

I am the owner of a
Royalty ☒
Override ☐
Small Working ☐
interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☒ Older ☐

I am

☐ Widow
☐ Divorced
☐ Un-Employed
☐ Disabled
☐ Receiving Welfare Assistance
☐ Receiving Social Security
☐ Under Nursing Home Care
☐ Others

Comments: I am a retired School teacher and also have a ~~[illegible]~~ 1/9 interest in the production on our old home place

There were (9) us Children interested in royalties but I traded 7 of them out of their interest before the well on our home place was established.

My check before Windfall Profits Tax $__________

My check after Windfall Profits Tax $__________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☒ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I
☐ Tier II
☐ Tier III
☒ Do Not Know

☐ I receive $______ per barrel of Oil

☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO. P 45705 NAME Bernice F. Koelzer
California

I am the owner of a ☑ Royalty / ☐ Override / ☐ Small Working interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☑ 61-75 ☐ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☐ Receiving Social Security

☐ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☐ Others

Comments: My Husband and I own a Small almond farm- He is retired from the Tel Co. and me I'm a Homemaker- (Never had a Job-) These Small checks really come in handy, believe me

My check before Windfall Profits Tax $__________

My check after Windfall Profits Tax $__________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on ☐ I receive $________ per barrel of Oil

☐ Tier I ☑ I do not know price per barrel of Oil

☐ Tier II

☐ Tier III

☑ Do Not Know

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☑

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

Logan Farm
Champlin 52033
Texaco 157478
OWNER NO.________ **NAME** Robert L Berry Sr

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of 59

20-35 ☐ 36-47 ☐ 48-60 ☒ 61-75 ☐ Older ☐

I am

☐ Widow
☐ Divorced
☐ Un-Employed
☐ Disabled
☐ Receiving Welfare Assistance
☐ Receiving Social Security
☐ Under Nursing Home Care
☒ Others Retired

Comments: We had planned 100% retirement with our Royalty income - but now I will have to get a part time job - until I can start drawing SS.

(2)

My check before Windfall Profits Tax $ 551

My check after Windfall Profits Tax $ 173 or 31%

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I
☐ Tier II
☐ Tier III
☒ Do Not Know

☐ I receive $________ per barrel of Oil
☐ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

I had no idea - I thought somehow, someway I might be effected but never on my interest

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO. 0003767 **NAME** EMMA HAZEL FANT

I am the owner of a ☒ Royalty ☐ Override ☐ Small Working interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

☐ 20-35 ☐ 36-47 ☐ 48-60 ☒ 61-75 ☐ Older

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☒ Receiving Social Security

☐ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☐ Others

Comments: I declare the Windfall Profit Tax Act unjust and unconstitutional. My royalty income does enable me to have the land and house improved on the farm, supplement my Social Security income.

My check before Windfall Profits Tax $ 405.10 (for 60 days.)

My check after Windfall Profits Tax $ 341.26

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on ☐ I receive $ 39.00 per barrel of Oil

☒ Tier I ☐ I do not know price per barrel of Oil

☐ Tier II

☐ Tier III

☐ Do Not Know

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO. 0285812 NAME J. J. W. Fleming

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☒ 48-60 ☐ 61-75 ☐ Older ☐

I am

☐ Widow
☒ Divorced
☐ Un-Employed
☐ Disabled
☐ Receiving Welfare Assistance
☐ Receiving Social Security
☐ Under Nursing Home Care
☐ Others

Comments: this cut has drastically changed my income used to support me & my 3 kids - I am also working full-time, but could not live on teacher's salary.

My check before Windfall Profits Tax $________

My check after Windfall Profits Tax $________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☒ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I
☐ Tier II
☐ Tier III
☒ Do Not Know

☐ I receive $ 7 per barrel of Oil

☐ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☒ No ☐

PLEASE RETURN THIS FORM TO KEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO. 0002484 **NAME** Mary Catherine Moore (Mrs Carl A)

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☒ 69 Older ☐

I am

☒ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☒ Receiving Social Security

☒ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☐ Others

Comments: Soc. Sec. + Small Int. + Oil Royalty is my total Income. An increase July 1 in S.S. But also Medicare & Blue Cross 65 went Up. then Royalty after W.P.T. ~~was~~ is too small for monthly pymt-

My check before Windfall Profits Tax $________

My check after Windfall Profits Tax $________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☒ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier 1

☐ Tier II

☐ Tier III

☒ Do Not Know

☐ I receive $________ per barrel of Oil

☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO. *263d 348* NAME *G R Bailey*

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ ~~61~~-75 *75* ☒ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☐ Receiving Social Security

☐ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☐ Others

Comments: *This Royalty was purchased about 30 years ago before production as an investment in my retirement plan & was scrounged from a $250.00 a month salary — My cost or Purchase Price was $5250.00 for a 5/70 Interest under 80 acres.*

My check before Windfall Profits Tax $ *202.24 / 67.46 / 269.70*

My check after Windfall Profits Tax $ *109.43 / 36.50 / 145.93 left for me*

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% *Almost* ☒ 50% ☐ 70% ☐ More

I am being Taxed on

☐ Tier I

☐ Tier II

☐ Tier III

☒ Do Not Know

☐ I receive $________ per barrel of Oil

☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY
2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

OWNER NO.______________ NAME James F. Bennett
1020 Main, P. O. Box 1566
Duncan, Oklahoma 73533

I am the owner of a Royalty ☑ Override ☑ Small Working ☑ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☐ 48-60 ☐ 61-75 ☑ Older ☐

I am

☐ Widow
☐ Divorced
☐ Un-Employed
☐ Disabled
☐ Receiving Welfare Assistance
☒ Receiving Social Security
☐ Under Nursing Home Care
☐ Others

Comments: I am an attorney. For many years I have bought minerals and invested in various ways in the oil business, and am an small independent producer. My son and I operate three small leases which combined produce about 25 bbls of oil per day

My check before Windfall Profits Tax $____________

My check after Windfall Profits Tax $____________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☒ 70% ☐ More

I am being Taxed on

☐ Tier 1
☒ Tier II
☐ Tier III
☐ Do Not Know

☐ I receive $________ per barrel of Oil
☒ I do not know price per barrel of Oil

Did you realize that Windfall Profit Tax would effect your interest? Yes ☑ No ☐
but didn't know what to do about it.

PLEASE RETURN THIS FORM TO NEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

Carson buys only a small amt. of gas from me. – but – from Conoco & Nat. C. of Refiners assn. the W.P.T. hits me – Last month (April 1980) –

			my share of total	WPTax	
CONOCO	509 BBL	6694.41 TAX	231.77 Gross.	$43.92	= 20%
NCRA	1042 "	1412.17 "	374.80 "	$71.33	+

the normal Tax is a total tax paid on 611 – oil sold was $115.25 On top of this will have my small [illegible] and [illegible] charge – 70%

OWNER NO.__________ NAME CHARLES W [illegible]
102 WILDERNESS DR. # 2117
NAPLES, FLORIDA 33942

I am the owner of a ☐ Royalty ☐ Override ☒ Small Working interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

☐ 20-35 ☐ 36-47 ☐ 48-60 ☒ 61-75 ☐ Older

I am

☐ Widow ☐ Receiving Welfare Assistance
☐ Divorced ☒ Receiving Social Security
☐ Un-Employed ☐ Under Nursing Home Care
☒ Disabled ☐ Others

Comments: The small landowner should get 100% of the [illegible] wells – we can't make up those expensive taxes like big Co's can in refining and marketing charges. It's downright unfair and wrong – we're damn sore about it.

My check before Windfall Profits Tax $ Conoco 231.77

My check after Windfall Profits Tax $ 187.85

See above scribbling.

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on ☐ I receive $_____ per barrel of Oil
☒ Tier I I hope ☒ I do not know price per barrel of Oil
☐ Tier II
☐ Tier III
☐ Do Not Know

Did you realize that Windfall Profit Tax would effect your interest? ~~Yes ☐ No ☐~~
Not as bad as I did.

PLEASE RETURN THIS FORM TO NEVELTH TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

budgeted for from – the Government [illegible] I don't think we should [illegible] of – [illegible]!

OWNER NO. P-02050 NAME Sally P. Armstrong

I am the owner of a Royalty ☒ Override ☐ Small Working ☐ interest which is being taxed by the Windfall Profit Tax Act.

I am between the ages of

20-35 ☐ 36-47 ☒ 48-60 ☐ 61-75 ☐ Older ☐

I am

☐ Widow ☐ Receiving Welfare Assistance

☐ Divorced ☐ Receiving Social Security

☐ Un-Employed ☐ Under Nursing Home Care

☐ Disabled ☒ Others

Comments: I receive 3 checks a mo. from 07¢ to $22.00 from 3 company's. before the tax, they were 80¢ to $30.00.

My check before Windfall Profits Tax $________

My check after Windfall Profits Tax $________

(IF YOU DO NOT CARE TO STATE A MONEY FIGURE PLEASE USE NEXT PARAGRAPH)

My Check has been decreased by varies ☐ 25% ☐ 50% ☐ 70% ☐ More

I am being Taxed on ☐ I receive $________ per barrel of Oil

☐ Tier I

☐ Tier II

☐ Tier III

☒ Do Not Know

☒ I do not know price per barrel of Oil varies

Did you realize that Windfall Profit Tax would effect your interest? Yes ☐ No ☒

PLEASE RETURN THIS FORM TO KEVELYN TIPPIT, in care of EASON OIL COMPANY 2601 Northwest Expressway, Oklahoma City, Oklahoma 73112. Your help is urgently needed.

EASON OIL CO.,
Oklahoma City, Okla., June 18, 1980.

Attention: Nevelyn Tippit.

Instead of returning your questionnaire regarding the effects of the "Windfall Profits" Tax Act, Nevelyn, I am taking this opportunity to let you and others know how I really feel about this act of robbery by my Government.

As Eason Oil Company records will show I have participated for many years with a small working interest in a couple of leases in Logan County, Oklahoma, which—to this date—have failed to pay me the amount of money I have invested in the drilling program.

I have had similar experience with Champlin Oil Company and when the price of oil and gas began to rise in 1978, I cautioned the person who prepares my tax returns to be sure and take the depreciation so as to allow some income, or profit. I was shocked when he told me "your profits this year are nil and, in fact, you had a net loss of $407.00 over operating expenses!"

In 1979 with the price of natural gas and oil increasing a bit, it looked like I would recover expenses and, for a short while, the results were very gratifying. I was encouraged so much that I went in on another program to help drill five additional wells and, long before I learned the results of these wells, I was hit with this huge "excise tax" deduction which was withheld as if it were to be prepaid income taxes and before I would know whether or not I made or lost on the venture during the year.

It is interesting to note that of the five wells mentioned, it looks like three of them will be totally dry and the other two might be marginal producers, but under existing excise withholdings, it will be impossible to recover losses from this venture.

I think my opinions of government regulations on the independent producer, who actually drills most of the wells and produces most of the low volume production which our Country so desperately needs, are very well explained in an editorial I wrote to go out with our little house organ in an issue last September. Copies are enclosed.

Fortunately, Nevelyn, I do not have to depend on my income from the oil and gas properties for a living as a lot of people who are widowed, disabled or unable to work, and I think these people certainly deserve relief as soon as possible in a repeal of this unjust tax. Personally, drilling oil wells is the only gambles I engage in since quitting the farming business many years ago. Since I want a little better than 50/50 odds on any bets I would make, you may be sure I won't be risking more of my hard earned money in trying to help find oil when our ill informed legislators enact unjust tax laws to insure I don't even get my money back. Maybe the time will come when our lawmakers who try to buy votes by picking on anyone who is associated—in any way—with the oil industry are voted out of office!

Very sincerely yours,

FRANK W. MURPHY, SR.

Mr. BOREN I would like to call to testify now Ms. Gwynne Gazzaway, representing a group called Widows on the Warpath.

STATEMENT OF GWYNNE GAZZAWAY, WIDOWS ON THE WARPATH

Mrs. GAZZAWAY. Thank you very much. I would like to thank everyone here first and tell you last summer I got mad watching this thing going on and what was happening to us.

My father happened to have been an Independent. He was one of the small ones so I ended up to be one of the very small royalty owners with an income of about $16,000 a year.

I am dependent on my royalties, and I found other people in the same bracket. I called them widows, and so that is where we got our name in the paper.

We have finally decided to refuse to sign leases. The teachers and the truckers strike. Why not the royalty owner. We decided not to do it long enough to hurt anything, but just long enough to get a bit attention.

But thank God we did. Thanks to press coverage, and I do tha the press, we received many calls from royalty owners. I suppos can't tell you the number.

I actually assembled 1,200 royalty owners and the majority refus to sign leases.

Now I found one thing. I started this thing out because I was ma I ended up really hearing stories that were awful.

Royalty owners are taxi drivers, librarians, minorities, schoolteach ers. I found an average to be in their sixties and seventies and were a widows. A good many of us got it through inheritance through hu bands or family.

I found one thing this last summer and this came over the networ A United Auto Worker makes approximately $26,000 a year. Yo compare that to a small royalty owner that gets a check—say she is i her seventies and there are many this way—who has approximatel $350 a month divided between social security benefits and royalty payments.

Now that woman told me she couldn't go to the doctor because sh didn't have the money to take care of her rent.

I know one thing, this summer I called Mr. DeArmet, one of your aides, and they are wonderful. However, I ran into some in the Far Eastern States and the Far Northern States and I would like to tell other royalty owners how they feel about us.

We do not own the oil according to them. The oil belongs to the people of the United States. If it were not for OPEC prices, they would have all of us in court.

What do you think of that?

When we talk about people in the East needing to pay grocery bills, I have talked to enough royalty owners—we all have to pay grocery bills. There are some that are really in a serious state—and you have to decide and I am quite sure that Oklahoma and Kansas as well as Texas—we get awfully cold. So next time they say something tell them that.

And then I would like to ask every royalty owner here go to your division course. Mark off every citizen you can find in every other State, you know, the people in Illinois, New York, Ohio. You go right down the line. You can do this where the companies can't.

Then send them to you, Senators Boren and Dole, and let them take them to the Senators in the East. If you have a chance, drop a letter to some of them. It helps.

Anyway I would just like to thank you for having me here. The average royalty owner that I saw out of more than the 1,200 that I saw, they are a middle income to lower income bracket. The remainder of them are divided into two income brackets, lower and upper.

There are minority royalty owners in east Texas, Louisiana and I am quite sure this goes throughout this country.

I have many figures that I am not going to take the time to give them. I thank you very much.

Mr. BOREN. Thank you very much.

We appreciate your testimony very much, and we know that you

pages tightly bound

came some distance at difficulty to yourself. We appreciate your being with us today.

Any additional items that you would like to put into the record we would be very happy to receive them.

Mr. Dole. Could I just say that Mrs. Gazzaway has been very helpful. I am certain everyone knows what a division order is. Mrs. Gazzaway sent us division orders and she circled those on the division order that live outside oil-producing States.

That is where we have to find the votes in Congress.

In addition she sent other lists of hundreds and hundreds of names of people who live in Texas and people who live outside of Texas who have interest in this issue.

I can only say that it is an indication of her determination. I know she has been hospitalized; and as Senator Boren said she came here today at great personal sacrifice.

It is the kind of initiative that we think will help turn this thing around so we appreciate her efforts very much.

Mr. Boren. I want to second what Senator Dole has said and say that seriously when you do have names and addresses of those in other States, particularly beyond the boundaries of the southwestern part of the United States, it is very very helpful if you would take the time to write them and encourage them to write their Congressmen and Senators from these States because we do need to try to win those people over and let them know that out of 2 million royalty owners they don't all live in three or four or five States in the southwestern part of the United States.

So that is very important help each one of you could give us.

[The full statement of Mrs. Gazzaway is as follows:]

My name is Gwynne Gazzaway and I am a widow. I'm 53 years old and I am a mother and a grandmother. I'm a royalty owner and I own royalties in several states though my holdings are small. The majority of my royalties are in Texas, Oklahoma and Louisiana.

In June of 1979, I contacted friends who were in positions similar to my own . . . widowed, dependent on their royalties, and of a middle-income bracket. Each of us contacted others. I released a statement to the press that we were refusing to sign leases in opposition to the Windfall Profits Tax and as a result of press coverage, I was contacted by many royalty owners.

A coalition of royalty owners was formed to fight the Windfall Profits Tax. Our number eventually reached 1200 and we agreed to oppose this tax. Among those I talked to I found the average royalty owner to be between the ages of 65 and 70 years of age, female, single or widowed and of a middle-income bracket. Three-fourths of the royalty owners, I found, were middle income; the remainder divided between lower and upper-income brackets.

As opposed to the average United Auto Worker who makes $26,000 a year, one-fourth of the royalty owners I spoke to of the lower/middle-income bracket received approximately $350.00 a month and this amount of income was divided between Social Security payments and royalties. These were, of course, people of an older age.

There are minority royalty owners in East Texas and Louisiana and one woman I spoke to, a black woman, told me of her mother's position. Her mother was 90 years old and dependent, I quote, "on her royalties and Medicaid".

Now there are 400,000 royalty owners in Texas; 1,500,000 to 2,000,000 royalty owners in the United States. In Texas we have 167,504 producing oil wells and 35,000 gas wells. At the very least, there are 4 royalty owners to each well. In Texas we pay an ad valorem tax and there is a severance tax taken from our checks before we receive them. The majority of royalty owners are in Tiers I and II old oil and stripper oil. As stated in the Windfall Profits Tax, when o oil reaches a base price of $12.81 (Tier I) or $15.20 (Tier II), we will be tax 70% for anything in excess of these base prices.

Now with inflation and all prices tripling, I believe that we are still going find ourselves in very poor shape. We will receive some profit but that will pla us in a higher income bracket and therefore our income taxes will be increase

I found that many royalty owners are in nursing homes, some of them in poo health. I, myself, have cancer and find that I need every cent to pay my medic bills. This is not a sob story but truth which can be verified through study. If can find out these facts, I'm quite sure the government can.

The royalty owners have been pictured as very wealthy people, all of then This is not true. Actually, the upper-income royalty owners are a very small pa of a very large picture. We have to pay heating and grocery bills just as the peopl of the East and we have our elderly and we get cold also. In West Texas, Oklahoma, and Kansas, we suffer from the blizzards just as those in the Northeas It has been said that we are wealthy people and don't have the same needs o worries. This is just not true in any way.

I have found through study of Division Orders, my own and others, that ther are royalty owners in New York, Ohio, Indiana, Mississippi, Alabama, an Georgia. Actually, there seem to be royalty owners in most every state in th United States. We have received our royalties from inheritance, property, or investment on our own part. You don't put a windfall profits tax on an investmen in American Telephone and Telegraph nor do you place a windfall profits tax o a home that has tripled in value.

As a royalty owner who has talked with many, I ask you please, give us a break There are many royalty owner stories, many far more interesting than those I have told you, but these people do not like to virtually bare themselves to the public as I have done or as does anyone who has to give testimony. They are there, so help us please.

FACT SHEET FOR ROYALTY OWNERS

Old oil (Tier I)	
Base price (May 1979)	
World price	$12.81
Tax (percent)	41.00
	70

Instead of $41 a barrel, you'll get $21.27 and pay $19.73 tax per barrel.

Stripper oil (Tier II)	
Base price (December 1979)	
World price	$15.20
Tax (percent)	41.00
	60

Instead of $41 a barrel, you'll get $25.52 and pay $15.48 tax per barrel.

New oil (Tier III)	
Base price (December 1979)	
World price	$16.55
Tax (percent)	41.00
	30

Instead of $41 a barrel, you'll get $33.67 and pay $7.33 tax per barrel.

NOTE: This is figured by taking the difference between the base price and the spot price, computing the tax on that figure, and subtracting it from the spot or world price. These figures are approximate, and should be used only as a rule of thumb. The IRS has a new 180-page explanation if you need some fine print legal and accounting details.

Mr. BOREN. Our next witness is Mr. S. G. McLaurey of Sayre, Okla. He is also the president of the Oklahoma Mineral Owners Association.

STATEMENT OF S. G. McLAUREY, PRESIDENT, OKLAHOMA MINERAL OWNERS ASSOCIATION

Mr. McLAUREY. Senator Dole, Senator Boren, it is certainly nice to find a Republican and a Democrat sitting side by side with a bipartisan attitude.

We certainly appreciate you gentlemen, believe me.

May I take this opportunity to thank the people of OCC for their fine facilities.

Mr. **Boren.** I want to answer that. We certainly should thank them. When we realized that we were going to have more than 200 or 300 people than we expected at first, we began to look all around the entire area to try to find a place to move the meeting, and they were extremely cooperative and very helpful. We really do appreciate it.

Mr. **McLaurey.** May I say that as State chairman of the State of Oklahoma's Oklahoma Mineral Association also in conjunction and as the president of the Western Oklahoma Mineral Owners Association we are glad you are here.

We are also appreciative of all you fine people that turned out today. I don't know what we would have done without you.

Also we would like to state at this time that we appreciate our State legislators, our Governor and you the committee for all these fine speeches that have been made at the hearing today.

In fact we have had no one oppose us in any direction. They have been complimentary and receptive to what we are doing.

We want you to know that, as Oklahoma mineral owners, we certainly appreciate that.

Also I would like to mention one thing, it seems like we are a little bit reluctant to bring forward. This could be one of the most sophisticated and discreet terms or methods of nationalizing our oil and mineral rights.

We should be aware of that.

Mr. Beeby from Marshall gave an excellent presentation because every time that taxes rise in the direction of the producer or the mineral owner so much of your mineral is absorbed through taxation probably will never be recovered.

Therefore, they can use that as a weapon. And as Mr. Beeby said we will never get to fire a shot.

So let me alert you to an extent that we will help you on the committee. We will help you as far as Senate bill 2521. We want you gentlemen to feel free to call upon us.

So may I say at this time, we thank you.

Mr. **Boren.** As you know we are going to continue these hearings. We have five more witnesses which we will hear this morning before we conclude, but we are going to be commencing again shortly after noon in Great Bend, Kans. Senator Dole is going to have to go ahead to be sure that he is in Great Bend and we are able to start there on time.

We are going to sort of leapfrog so that I can complete the hearing here. He will go on to be able to start that one on time in Great Bend, and I will be joining him there this afternoon.

I want to again express appreciation to him for being here and for being such a leader in this effort.

I want to share one thing with you. Again this is offered in the spirit of bipartisanship because we are not talking about party politics. We are talking about individuals who try to represent the people who send them to Washington.

During the entire windfall profit debate—and it has been alluded to here—Senator Dole during that particular point in time was an announced Presidential candidate. He has been the Vice Presidenti nominee of his party in the past.

There were a lot of people in the Senate who were involved i Presidential politics. Many of them were gone—not on the Senat floor. They were out campaigning.

I happen to know dozens of times before key primaries—times whe Senator Dole, if he was going to have a chance for the Presidentia race, needed to be in those States—be it New Hampshire or whateve State it happened to be—Iowa or wherever—campaigning. And tim and time again we said to him we need you on the floor. We are goin to try another amendment. We need you in the committee for a ke vote.

Without exception every single time Senator Robert Dole gave u his own personal ambitions and his own personal campaign to be ther in committee and to be there on the Senate floor during the—doin the people's work.

I want to tell you that while we can't vote in Kansas and it is probably not appropriate to get too bipartisan about this, let me say that there are a lot of people here who have relatives in Kansas and I imagine that a few of them might write some letters across the State line to express appreciation to Kansans for what you have done for all of them in the U.S. Senate.

Mr. DOLE. I did not write that. No one trusts politicians these days, but I did not write that. I only suggested that he say it.

Seriously it is a pleasure to have been here. Now I really believe as I said at the outset that this will demonstrate the concern about this issue to our colleagues on the Finance Committee, as we have tried to do in the past in the best tradition of American politics. This issue affects Democrats, Republicans, Independents, and people who don't care about politics at all. They are farmers, schoolteachers, and whatever else has been pointed out before.

This is not a mutual admiration society. I would just add one point to what Senator Boren has been kind enough to say on my behalf. I may have been the first victim of the windfall profit tax, at least my Presidential campaign effort.

That is beside the point. The point is that there are a number of us in the Congress who do not like this tax. Senator Boren is one of those and I am one of those. That is our responsibility. It is our duty to defend the people in our States from what we feel is an unfair and an unjust tax.

If we are not doing that, we ought to be. We can be replaced. We understand that.

I meant "we" in the broad sense, I don't want too much applause on that line.

As I have already stated this is an official hearing of the Senate Finance Committee. It is the first step. I am going to Great Bend, Kans., now, but certainly we won't have this many people. We are just not quite as big as Oklahoma.

We have 43,000 wells. You have about 77,000. But our people are just as mad as Eddie Chiles.

Mr. BOREN. Thank you very much.

We do appreciate Senator Dole being here. We will move ahead and we will plan to—with the aid of our last five witnesses—we will be concluding about 12.

We have five other important witnesses to hear from. Our next witness is Mr. Kenneth McFall representing the Oklahoma Farm Bureau—the executive director. He is the top man there in terms of its permanent staff.

STATEMENT OF KENNETH McFALL, OKLAHOMA FARM BUREAU

Mr. McFALL. I am not going to read my statement. I would say that we talk about how bad this windfall profit tax is. It shouldn't come as any surprise because in 1957—Congress has been fiddling with the oil and gas industry.

They didn't deregulate natural gas. They removed the depletion allowance. It seems that Congress has an unlimited capacity in the field of energy to do the wrong thing.

I would like to point out that nobody said it better than Jim Beeby on the matter of confiscation. I don't see how this tax could possibly be held to be constitutional.

It certainly seems to me to be divesting people of property without due process of law. It would seem to be discriminatory. There is no such tax on gas. There is no such tax on coal. No such tax on lead, zinc, aluminum, gravel, limestone—nowhere else.

I would make one point, Senator. I think one point has not been yet made today, so I will, if I might.

Under the regular Federal income tax system these people would have paid substantial taxes anyway. In many cases it would throw them into a higher income bracket. They would have been paying substantially more taxes, it would have been on the basis of their ability to pay.

So in reality it should be noted that there are taxes to be paid even if you are successful in repealing the windfall tax entirely—which is not possible I suppose. But these people would pay additional taxes through the regular income tax channel.

Thank you very much.

Mr. BOREN. We will put your full statement into the record.

OKLAHOMA FARM BUREAU,
Oklahoma City, Okla., May 23, 1980.

Senator DAVID BOREN,
Member, Senate Finance Committee.

Senator BOREN AND MEMBERS OF THE COMMITTEE: Oklahoma Farm Bureau appreciates the opportunity to appear before this committee and relate the view of the organization on the Windfall Profits Tax.

The so-called Windfall Profits Tax is a misguided and unfair tax in the first place, and possibly will be declared unconstitutional in due time.

The tax is especially unjust and unfair applied to the owner of the mineral interest.

These people have absolutely no way to pass the added cost to the buyer, because they have no control over the product being sold. They are simply being paid a royalty on a product coming from land on which they have mineral interests.

The tax amounts to confiscation of revenue simply because it is generated by oil. The tax seems to violate the constitutional prohibition of taking property without due process of law.

No other mineral interest is so taxed by the federal government, so the tax is very discriminatory.

The argument may be advanced that the royalty owner exerts no effort and the rising income from oil truly is a windfall. The fact is the owner may have paid a high price for the mineral interest when he purchased the land, in anticipation of the possibility of an oil or gas find.

It would make as much sense to confiscate 30-70% of the value of a bushel of wheat because the government thinks the price of wheat is too high.

Under the federal progressive tax system, the federal government would have already been the major beneficiary of price increases in the oil industry. Assuming that most royalty owners do have other sources of income, any royalty income received by these individuals would cause this primary income to be in a higher tax bracket. Following this idea, say a farmer is in the 20 percent income tax bracket from regular farm income, then add royalty income to his regular taxable income, the entire income from that farmer would be in a higher tax bracket. In reality, the total additional tax, both on the royalty income and farm income, must be charged against the royalty income.

Respectfully,

James L. Lockett, *President.*

Mr. Boren. The point which you make is a good one. The income tax collection resulting from decontrol over the next 10 years—additional income tax collected—will run an estimated $600 to $700 billion increase over the next 10 years without the windfall profit tax.

When we talk about additional taxes that will be levied over the next decade and additional tax collection, we are not talking about only $227 billion in windfall profit tax but added on top of it additional income taxes that will be paid.

We are talking about close to $1 trillion additional tax collection over the next decade. As it has been indicated the tragedy of that is that very, very little of that will end up going into energy production here in the United States where we so badly need it.

I think that is a very good point that has been made.

Our next witness is Mr. Bud Stewart, president of the Energy Producers and Consumers Association which is headquartered also in a very good community, Seminole, Okla.

STATEMENT OF BUD STEWART, PRESIDENT, ENERGY CONSUMERS AND PRODUCERS ASSOCIATION

Mr. Stewart. Thank you very much, Senator Boren. We certainly appreciate the fact that you and Senator Dole and one or two others carry the ball for our industry in difficult negotiations on this tax.

I do represent the Energy Consumers and Producers Association. We are made up of some 500 independent oil and gas operators and 400 mineral owners.

As you recall we are the ones responsible for the march on Washington in the oilcade with all the equipment at Senator Bellmon's suggestion.

Unfortunately we didn't have that much impact at the time, but I can assure you that if all these folks had hardhats on and come with us the next time maybe we will be in a little better shape.

Our organization actually came into being to form a nucleus to file lawsuits against the Federal Government back in the Federal Energy Administration days.

We are very pleased that the day after President Carter signed this legislation we filed a suit against the Government in the eastern district of Oklahoma.

We filed this suit on primarily two grounds. First, of all the nonuniformity which has been mentioned before; and I might add that if a windfall profit tax were placed on the fishermen in Massachusetts and on timber in Washington, I venture to say Senator Kennedy and Senator Javits would have a little bit different idea about what windfall profit is.

Also—and I am not an attorney, but our attorney seriously questioned whether this, in fact, is an excise tax. It may be a direct tax which of course is unconstitutional.

That is one reason we fought the revolution and this country was born so maybe we will have to be reborn.

Also someone pointed out that energy, which was the beginning of this tax, doesn't have anything to do with it.

I would like to point out to you and your colleagues this week's issue of the "Oil and Gas Journal." Without any tax on newly discovered oil we have almost broken the record for the number of wells drilled in any given era, 56,000.

If we get the 57,000 in 1980 that will break the record—more wells drilled than any other time.

I think that it is interesting to note that the more wells you drill the more oil you find and the more reserves you find. We have found the highest number of reserves in 1979 than any year since 1971, and the highest number of new field discoveries since 1954.

So we can prove that increased drilling will find more oil for those that might be interested, and hope that certainly you and Senator Dole can get your colleagues in the House to start thinking of this as an energy program.

Let's do away with the tax, and we will support any exemption whatsoever for any group. We hope the Congress of the United States will come to their senses and repeal the whole bit.

Thank you very much.

Mr. Boren. Thank you very much.

[The full statement of Mr. Stewart is as follows:]

STATEMENT OF ENERGY CONSUMERS AND PRODUCERS ASSOCIATION, BY E. I. BUD STEWART, PRESIDENT

Senator Boren, Senator Dole, welcome to Oklahoma City. We certainly appreciate your interest in the consequences of the "windfall" profits tax on the economy of this area and on the thousands of citizens who must bear the burden of this unfair tax. Had it not been for the effort expended by the two of you in our behalf, this tax could have been much worse. For that, we will be eternally grateful.

The ECPA is an association based in Seminole, Oklahoma with 500 producer-operator and 400 royalty owner members residing in 30 States. As you both know, our organization headed the last-ditch march on Washington in March of this year to defeat the tax. Some have criticized us for sending our oilfield equipment and hard-hatted workers to Washington at such a late date with a slim chance for success. Irrespective of the lateness of the hour and the hopelessness of the cause, I am very proud our group fought to the bitter end. However, we were successful in bringing national attention to the fact that the consumer would ultimately pay the tax—either at the pump in higher gasoline prices or in the failure of the energy industry to have enough capital to do its job of finding increased supplies.

The most disturbing thing about the whole history of the "windfall" profits tax is that President Carter initiated the proposal as a part of his energy plan. Once announced, the Congress and the administration accepted the concept of a tax but not as a part of any energy plan but solely to raise Federal reven Many people feel badly used by their Government and its representatives. T is especially true of royalty owners. The Washington press agents worl diligently condemning the profits of "big" oil all the while the tax proved to a bonanza for "big" oil and a disaster for independent producers and roya owners. Aunt Minnie, the widow living on a black jack covered 40-acre tract clay, has some difficulty understanding why her small royalty share is cons ered to be as evil as the Exxons or Texacos of the world! Many thousands American citizens depend upon a small royalty check for their living. Throu absolutely no fault of their own, it is cruel treatment indeed for their Gove ment to suddenly take 30 to 40 percent of their income.

I have observed that the general belief in Washington is that royalty own ship is a passive fact and the mineral owner contributes nothing to ener development. While mineral owners in modest economic means will accept lea terms generally favorable to both lessee and lessor, there are many others, p haps a majority of mineral owners, who have become extremely negative leasing their minerals as long as the tax is placed on their potential productio It is a fact in the oil business that the productive process starts with the la and with the oil lease. Obviously, the refusal to lease will adversely impa future production. Therefore, our Association fully supports any relief or exem tion for royalty and mineral owners.

I would like to make two additional points concerning the effect of the t on energy production. In previous testimony before the Congress, representativ of our association and most other oil and gas groups, testified to the relationshi between the number of wells drilled and increased production.

It is interesting to note that the increased drilling activity of recent years h almost closed the gap between oil reserves discovered and oil produced. Unde market pricing for newly discovered oil, the drilling rate of 56,000 wells per ye is approaching a record. New reserves discovered are the highest since 1971! Ne field discoveries are the highest since 1954! What more proof does Governmen need to turn the industry loose to find oil?

Also, the industry testified that any punitive tax would cause marginal wel to be plugged. Since enactment of the tax, I am aware of instances where th is happening. With the current prices of used pipe and equipment most operato will plug and abandon wells losing money rather than await the future ta adjustment provided for in the legislation.

It is obvious the "windfall" profits tax is a national disaster and should b repealed. Failing that, the law should be generously amended to grant exemption to independent operator and royalty owner alike.

Mr. Boren. Our next witness is the president of the Stephens Count Mineral Owners Association. It is my understanding that this count has the largest number of royalty owners.

STATEMENT OF BUDDY SPURGIN, PRESIDENT, STEVENS COUNT MINERAL OWNERS ASSOCIATION

Mr. Spurgin. Last but not the least.

I guess we are the largest organization in the State. Everything that I had prepared to say has already been said. It has been said three or four times and it has been well said.

I want to thank these two gentlemen for the opportunity for us to express our opinions and thanks to ex-Senator Wayne Holden for getting me on the program. I would not have made it had he—because I wasn't aware of it in time.

I am going to suggest that the only way that we can do anything is by representation. Go back home and form an organization. I don't care whether you call it a county or a State organization or what.

Ours will be known as the Southern Oklahoma Royalty Owners Association.

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Don't think you can't get results. You can get results. For instance back in 1947, 1948, 1949 and 1950, and 1951, they discovered oil east of Stephens County.

They tried to get one spacing order of one well every 80 acres. Then they thought they were going to have some opposition so they asked for spacing of one well every 40 acres.

We talked to some reservoir agents and they said a well every 10 acres will never adequately drain the reservoir.

So what did we do? We formed a royalty owners association, got a bunch of money together and fought it.

When they saw they were whipped hands down—when we started the royalty was worth about $2,000 an acre and at best at 10-acre spacing it was worth $8,000 an acre.

There is your difference.

Now before this tornado hits us—and by the way Duncan has had some bad ones, but this is the worst tornado that ever hit Oklahoma by far.

You can insure against a tornado, but you can't insure yourself against socialistic—I am not so cottonpicking sure it is not communistic activity.

And thanks to Mr. Holden for suggesting that I do not use my barnyard language. "Cottonpicking" sounds much better.

I know we are squeezed for time, but let me suggest that you go back home and get organized and do some good. You can belong to our organization.

To give you an idea, I have been in the inincome tax business—connected with it since 1936.

I have been retired approximately 10 years. My son-in-law is continuing the office. I have seen income tax all the way through—possibly before you were born.

Everybody admits that the income tax is nothing but a political football. That is all it has ever been.

In my office we do an awful lot of returns from people just like you right here—about 1,500 returns. Three or four hundred of them are self-employed and ranchers, farmers, and the balance are medium salaried people.

Now I have letters in my pocket which I don't have time—and neither do you—to listen to. As high as 51 percent taken out of their check.

I am going to show you how much of a graft this is. It is the biggest money graft in history.

In the lower salaried people—of course they don't pay much income tax. They pay very little income tax.

In the middle salaried people and the higher this royalty income is right on top of their income from other sources.

What rate do those people pay? They pay from 30 to 50 percent Federal and 6 percent State tax. Now that is on what is left, and that is what you are going to pay after the big boys take out 50 to 70 percent.

So what have you got left?

I would like to leave one thought with you. Get home and get organized and show these people here that we are behind their movement 100 percent and we will stay behind them.

Mr. **Boren**. Thank you very much.

Our next witness is Anna Belle Weidman from Piedmont, Okla. Anna Belle is a former member of the State house of representatives. We served together and she also has been president of the Cowbells and is very active in the agricultural organizations of the State. We are glad to have you here.

STATEMENT OF ANNA BELLE WEIDMAN, PIEDMONT, OKLAHOMA

Mrs. **Weidman**. Thank you, Senator Boren.

Senator Dole and the Finance Committee, and I want to go a bit farther and say President Carter and the U.S. Congress, as I opened my royalty check yesterday, yes, it was a bit bitten—a lot less you would say.

In this check was a card and it says, "Dear Interest Owner, As you know an excise tax known as Windfall Profit Tax has been passed into law."

As you heard Harvey Gardner say an excise tax is not right for only one segment of people.

It goes on to say that "as first purchaser we are required by law to withhold this tax from your payment and remit it to the Federal Government unless you are an integrated oil company or exempt from the tax."

Then follows the phase one and two and of course the major producer and the royalty owner is in the 70 percent bracket. Right here is the evidence out of your check.

So speaking of windfall profit tax is the most highly overrated heading to say the least. It is not a profit tax. This is confiscation of our property.

The royalty we own has been purchased. We have legal title to it as you would have legal title to your home. We have legal title through contract of deed as any other business person that purchases their property does.

We paid for it by no other means than by our jobs and hard earned cash out there on the farm by working.

The Government did not give us the royalty and minerals. The Government did not develop these minerals. It is no one else except for one who holds the fee simple title to these minerals and royalties.

The windfall profit tax is the U.S. Government redistributing wealth. It is not fair. It is no good.

If this is good for us royalty owners, why was foreign oil exempt? We are still dealing with foreign oil free to them, but we buy it as American people.

Why was Indian land exempt? Why was school land exempt? Why was city and State?

No. They put the 70 percent on us royalty and mineral owners. I call that so unfair and unjust, Senator Boren, that I feel like that I would like to address to President Carter and the U.S. Congress—if 70 percent is fair, then I ask President Carter and Congress to take their holdings that they put in trust when they became President and Congressmen to distribute 70 percent to the American people.

If 70 percent is fair to mineral owners, then President Carter I ask u to give 70 percent of your peanuts off the top before—just how ng do you think they will stay afloat giving the first 70 percent fore any of our expenses are taken out?

We give 70 percent to Federal plus 7 percent gross production State xes which is 77 percent tax plus our Federal and State tax. How ng can we do this?

Almost 90 percent goes to taxes of our investment.

American citizens, we are not going to let this happen. This is the rst step toward nationalization. We must wipe out this windfall rofit tax. It must be taken off the books. I beg of you and I plead ith you, Mr. President.

Yes; we must be given the right of our property back, back to the eople now.

I am not trying to be cynical. I believe in private property rights. This gives the Government 70 percent title to our royalty property.

It is wrong. It is wrong. Yes, we citizens must wake up. Whether you be a royalty or mineral owner it makes no difference. Who will ext be the victim that the long arm of Government will reach out and ay, "Yes, I must have 70 percent of your business."

I tell you people—I will tell you, Senators, it is scary. We must ct now. We are farmers and ranchers. How can we make it work with $300 a ton fertilizer and $3.50 wheat.

If I shut my eyes tonight and my well is left to my child, will the 70 percent tax come off the top or will the next 7 years be taxed full of that well? It is something to think about.

We have a serious problem, and we certainly, Senator, appreciate you taking your time to come to us with these hearings.

Mr. BOREN. Thank you very much.

Our next witness is Mr. Joe Lawter of the Farmers Union Cooperative Royalty Company.

STATEMENT OF JOE LAWTER, FARMERS UNION CO-OP ROYALTY CO.

Mr. LAWTER. I would like to thank Senator Boren and Senator Dole for having these hearings. They are terribly important to us.

I am going to tell you a story of a broken dream. Since you have heard everything today, you haven't heard the story of the broken dreams. I would like to tell that story to you.

Some 52 years ago, 1,200 farmers got together and decided that they wanted to pool their mineral interests. Most of them were not too good at that time. That is true.

And then they would eventually as years go by—they would eventually share and share alike and they all shared.

If one well hit, they all shared and so on and so on. That carried on through all these years.

Well, this is a great dream, but the first thing that came along some several years ago was the IRS who said to us, Senator Boren, that we are not a cooperative even though our title says we are a cooperative.

They say we are going to tax you like a corporation. So what do they do? They wipe out 50 percent to start with right off the top. Just wipe it out. We lose 50 percent from the day we start all the oil.

The State of Oklahoma, and I don't regret this particularly, takes

7-plus percent of our oil money, and we get what I consider to b conservative average of 45 percent of our money.

With this "I am mad as hell, Eddie Chiles" windfall profit tax—that is the only way I can describe it in the language I would like to.

So where are we now? They actually—from the time they produce a barrel of oil and we get it to our stockholders and we pay our stockholders all the profits of the company—we try to operate on nothing.

We end up paying our shareholders less than 18 percent of the original revenue because of what the Government is taking out.

Now 18 percent isn't that interesting—on a dream that they had they would share.

I can't imagine what we would be paying in dividends today if we didn't have 50 percent corporation tax and 7 percent to the State and now 25 percent to the windfall profit tax.

You say, "Well, maybe we can live with it if they will somehow forget about the gas."

Mr. Boren, don't bring it up. If you don't mention it, maybe they won't think about it and maybe we can survive. I don't know.

The irony of the whole thing comes down and it has been mentioned so many times. We pay this little 18 percent out to our shareholders and you know what they have to do? They have got to pay income tax.

So we have about 15 percent left that you can say that really is nationalization. I don't know. I really think as manager of this company I am going to get tarred and feathered and I really don't blame them.

I would like for one of those bureaucracies up there to write some sort of grant that would tell me how to be tarred and feathered because I think that is the next step. I don't think I am to blame.

The Federal Government got the 82 percent. I didn't get it.

Anyway that is my story.

One thing I did want to correct. Some of the mineral owners have said they are going to withhold their minerals. Well, in the State of Oklahoma they have got you there because you can't withhold your minerals.

They have a law that says if they want to drill your place they will pool you or have you heard about that?

If you think you are going to withhold, you are not because they are going to pool you especially if they think it is there.

I hate to mention this but they have got a State law here—not a State law but a policy that the Oklahoma School Land Commission to start with for royalty owners they have to pay them three-sixteenths.

You know what the State law is for us other royalty owners? The minimum—I mean the minimum they have to pay is an eighth.

The school land commission which is a government entity—they have to pay them three-sixteenths.

I hate to mention the Indians because the Indians are exempt. But when you sell a royalty to the Indians, you have got to get a permit.

If you are just a poor old royalty owner without all these exemptions out here, you are in trouble before you ever start.

Thank you.

Mr. Boren. I would mention one thing. The Indian lands that are not in trust are not tribal lands because there are some here today that are paying the tax. I would mention that that they restricted that pretty closely.

[The full statement of Mr. Lawter is as follows:]

FARMERS' UNION CO-OPERATIVE ROYALTY CO.,
Oklahoma City, Okla., May 23, 1980.

HON. DAVID BOREN (Democrat of Oklahoma).
HON. ROBERT DOLE (Republican of Kansas).

Whereas the Farmers' Union Cooperative Royalty Company Stockholders meeting of May 17, 1980 recognized the unusual burden of taxation placed on individual Royalty Owners and the assets of the 1200 stockholders do support and offer whatever individual efforts deemed necessary to pass S 2521 which exempts Royalty owners from the Windfall Profits Tax.

Farmers' Union Cooperative Royalty Company was formed as a pooling cooperative over fifty years ago during the Great Depression. At that time it was felt that individuals could share alike in the total assets of the company. During the first forty years of our existence there proved to be a very limited monetary gain for the stockholders. Recently, the dreams of the original stockholders began to be partially realized.

One of the first set-backs was the determination by the federal government that we would be required to pay taxes as a corporation when we were and always have been a cooperative. This determination takes 50% of the earnings of the company. The State of Oklahoma presently taxes the hydrocarbons that are produced from our minerals at 7(+) %. The tax that will break our spirits is the Windfall Profits Tax which we conservatively estimate at an average of 25% of the runs on oil. The total taxation stockholders from both the State of Oklahoma and the Federal Government would be and is 82%. Our stockholders will receive about 18% of the runs on oil for the company to pay profits, which incidentally is paid on a profit sharing basis. The irony of the taxation that makes it almost inhumane is that the stockholders must then pay personal income taxes of an average of 15 to 20%. The stockholders, who by the very nature of the company are not high income persons, will receive less than 15% of the market value of the oil sold in the pool.

We submit that although we are technically listed as a corporation, we can not write off our costs as a large oil corporation, because we are not a producer as is permitted within the Windfall Profits Act. We are in the same position as all Royalty Owners who when the facts are known are the victims in the effort of the U.S. Congress to tax the large oil corporations.

By order of the Stockholders

JOE H. LAWTER, *President.*

Mr. BOREN. We appreciate all of you being here. I think there was one gentleman who wanted to say a word.

STATEMENT OF MARVIN EASLEY

Mr. EASLEY. There is one way I think that all of you who are royalty owners can help Senator Boren and the Senator from Kansas—I think there is one way that this group can really be of service to both Senator Boren and Senator Dole and the entire country.

If you will go home and every Monday morning write a letter to the White House saying, "We want 2521" and don't you quit writing until that law has been passed.

Thank you.

Mr. BOREN. Thank you very much.

It would be a good idea for people to write to the President because if we are successful in getting this done of course we will have to talk him into signing the bill.

I think he needs to know that there weren't a few hundred large international oil producers who were taxed by this bill. That there were 2 million average American citizens who ended up getting a rea wallop out of this bill.

Let me say this to you as we are getting ready to quit. I wish tha I could stay and visit with many of—the many friends of mine tha I see here, and I would like to see all of you individually.

I am going to have to leave out the back door because I have to g right to the airport to get the plane to get to Great Bend, Kans., i time to begin our afternoon hearing that Senator Dole has already left to start.

He has been so kind to come here and be with us in the Oklahoma hearing that I want to be able to be there in Kansas with him this afternoon.

It means a lot to me that you would turn out and turn out in these numbers. I think we have had excellent testimony today. Each one of the witnesses have contributed to making a good record for us in the hearings that will be published for the members of the Finance Committee and the entire Senate.

As I said before if any of you would like to submit written testimony, do bring it up to the front or find one of my staff members who will be here after the hearing concludes.

We are going to do our very best with this bill. I think you all realize that a big mistake has been made as I said at the beginning with this passage of the windfall profit tax.

You know I had a lady stop me the other day, and she said she was very concerned about the situation in the Middle East, as we all should be.

When you think about the fact that 40 percent of all the oil we use in this country every day, and that is equal to the amount that we use to move everything that moves in this country. We use 40 percent of our oil every day for transportation, airplanes, boats, tractors, cars, trains, buses—everything. About 40 percent of our oil goes to that purpose. That is how much we get from the Middle East.

When you think about the Soviet Union taking Afghanistan 200 miles away from the narrow straits through which all this oil passes, you begin to realize what a great threat that is to our national security.

She was very concerned about it. She said to me, "Please, Senator, do everything that you can to see that our children don't have to go over there and risk their lives fighting to have to preserve our oil supplies."

I certainly sympathize with her fear and her desire to keep our young people out of a war zone.

When we sit back and we know that to increase energy production here in this country—I don't care if we are talking about drilling an oil well, a gas well, opening a coal mine, building a new kind of powerplant, developing synthetic fuels, solar energy—whatever it happens to be.

We know that you can't do that for free. You can't dig a coal mine for free or drill an oil well or build a solar panel. It all takes money.

If we are going to become energy independent and for the sake of the peace of the world and our Nation's security and our young people coming on, we must become energy independent.

Think about this. Here we need more investments in all forms of energy in this country and what have we done with the windfall profit tax on top of this income tax?

It is not only just a matter of your interest—your property being unfairly taken. Think about it. We have drained off almost $1 trillion of badly needed funds to be invested through private enterprise to produce all kinds of energy for this country so that we could become energy independent.

We have drained that off. As it has been indicated here we are talking about spending 15 percent of it at most for even anything related to energy. The rest of it is all going to go into more government, more bureaucracy—the last thing we need.

So when we get together like this and we talk about it and you let us know firsthand what it has done to you and what it has done to your royalty check. We know firsthand that it is hurting a lot of people who simply can't afford it.

Congress fired at a target and hit a lot of small, middle, and lower income people instead.

While we are talking about your interest we are talking about something here that ought to concern—I don't care if they live in New Jersey or New York and do think that royalty means something to do with the King and Queen—we are talking about what is good for the entire United States of America. That is what our fight is all about. We have got to do something about it.

I want to say this. That we are simply going to make this pledge to you. I can't promise you that we can pass this bill this year. I don't know. We got 36 votes out of 100 on our motion to send the bill back to committee to exempt royalty owners.

We have got to get 51 votes for it to pass through the U.S. Senate. I can't promise you today that we are going to get 51 votes before this year ends, but what I will promise you is this. That it is going to be a heck of a fight to get 51 votes. If those votes on the other side succeed in beating up, they are going to know they have been in one big scrap before it is over.

Thank you very much.

[The committee recessed, subject to the call of the Chair.]

[By direction of the chairman the following communications were made a part of the hearing record:]

STATEMENT OF FRANCES S. HALEY

Our National Security is at stake with this so called "Windfall" Profits Tax. When the independent oil man, whom we know, drills most of the new wells can not make a profit, then why should he take such a risk? How many of these brilliant Senators and Congressmen would be willing to sign a note at the bank for two million dollars to drill a hole in the ground? Sure, if the well hits, this means a big income, or did mean—a risk was worth taking if the stakes were high enough.

With the depletion allowance being knocked out for all practical purposes, and now this "Windfall" Profits Tax, we are completely at the mercy of our neighbour for energy—after we use up what we have now. Personally, I have heard a dozen independent oil men say to me that they are not going to bother drilling any more. This may be a contrived plan of the Liberal Congressmen to put us at the mercy of the Communists.

Before the depletion allowance was wiped out, I had the priviledge of spending an entire day on the Senate floor, watching a debate on this subject. The sides were clearly divided as to Liberals versus Conservatives. The Liberals, down to the last man, were wanting to strangle the oil industry. Recently, I have begun gathering notices from three different counties in Texas of new real estate evaluations—County and School—all of the royalty involved has doubled in evaluation. Meaning, taxes are twice as high as last year! At the same time the income is getting smaller.

Together this leads to complete disaster and destruction of the free enterpris system. Take from the haves, and give to the have nots.

SMALL ROYALTY OWNERS EXEMPTION FROM THE WINDFALL PROFIT TAX

FRIDAY, MAY 23, 1980

U.S. SENATE,
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT
OF THE COMMITTEE ON FINANCE,
Great Bend, Kans.

The subcommittee convened at 2 p.m., in the municipal auditorium, Great Bend, Kans., the Honorable Robert Dole and the Honorable David L. Boren presiding.

Present: Senators Dole and Boren; and their staff respectively, Rod DeArment, Minority Counsel to the Committee on Finance, and Denise Bode; and David Jacobson, counsel to the Committee on Finance.

Senator DOLE. Let me say first of all that Senator Boren is on his way. We had an overflow crowd at the Oklahoma City hearing and so many witnesses that I left early to start this hearing on time. Senator Boren stayed there to wind that hearing up. He should be here in about 30 minutes. I am very pleased, and I'll say in advance before Senator Boren comes, that he's going to be here this afternoon. It indicates a couple of things. First of all, that this hearing is not a partisan effort. I'm a Republican and he is a Democrat. We are both concerned about the unjust and unfair discriminatory windfall profit tax as it affects the independent producer and royalty owners. And, I can say right now with a group like this in attendance it's going to strengthen our case with Senator Long and hopefully with the President and others who can help us pass the bill that we've introduced to give each royalty owner a 10-barrel exemption.

This is an official hearing of the Senate Finance Committee. I'm the ranking Republican on that committee. Senator Boren is a new member of the committee. He's been on the committee about a year, having just come to the Senate.

At the outset, I would like to relate a story that I also mentioned in Oklahoma. During a recent survey one of the fellows taking a poll door to door came to a particular man's home. After the pollster asked the man three or four questions, he was asked, "What is America's greatest problem—ignorance or apathy? The man thought about it for awhile and then said "I don't know and I don't care." Now, that may be the reason we get taxes like the windfall profit tax, too many people don't know and a lot of people don't care, but that's obviously not the case with this group. There are a lot of people here who both know and care about this tax.

I want to get right on with the hearing, but first of all, I would ask that a statement I prepared be made a part of the record. I will briefly summarize that statement before I call on the first witness.

I think this hearing represents a momentous first step in trying to right a grievous wrong that was done by enacting President Carter's so-called windfall profit tax. I want to thank Senator Boren for his participation and I will introduce him later when he arrives.

I believe the windfall profit tax as finally enacted by the Congress was a cruel hoax on the American people. It is not a tax on profits at all, but an extremely complicated excise tax imposed at the wellhead on crude oil produced in the United States. It is not energy legislation, rather it is the largest single revenue bill ever enacted by Congress. It is clear that the principal beneficiary of any windfall is the Federal Government which will receive $227 billion—that's billion dollars—over the next 11 years from the windfall profit tax and another $400 billion for the so-called industry and royalty owners in increased income taxes. That makes nearly $600 to $700 billion from one segment of our economy over a period of 11 years.

It's going to reduce, rather than increase, domestic oil production. It will greatly lessen the economic incentive to undertake risky exploration. I think there are many people who felt that we were going to pass this tax to punish big oil companies. A lot of people were for it for that reason. But as it turned out, the big oil companies, which produce the oil, refine the product, and sell the gasoline at the pump, can pass the tax on. The independent producers and royalty owners cannot pass the tax on. They pay the full amount.

Finally let me say this. As many of you found out in letters that you received from your purchasing companies, royalty owners pay the same tax rate, whether it's 70 percent or 60 percent or 30 percent, as the major oil companies are paying. The justification for that, and I was on a conference that took several months, by those who advocated a tax on royalty owners was as follows: "Royalty owners do not do anything but go to the bank. They do not put up any money or risk anything, thus they ought to pay a heavy tax." Now, that was the justification, but let me point out just a few examples of how this tax is working. There may be better examples right in this room. These are just examples of some of the letters we have received. I heard from an 80-year-old couple from El Dorado who have not had to pay income taxes in years and they depend on their royalty income to supplement social security. Nevertheless, this couple was dismayed to find their royalty check cut by one-third by this tax. I received similar accounts from a divorced mother of two children from Wichita, a disabled veteran from Hutchinson, a civil service retiree from McPherson, and countless small farmers who are also victimized by high interest rates and low farm prices.

We now have 24 cosponsors on our legislation, 9 Democrats and 15 Republicans. Some of those in each party are those who voted for the windfall profit tax. That indicates to me that while some may have voted for the overall bill, they are sympathetic to the proposal we are working on to provide a 10-barrel exemption for small, royalty owners.

So, I would ask my entire statement be made a part of the record and I will now call on the first witness, B. E. "Bernie" Nordling, from

Southwest Kansas Royalty Owners Association. Your entire statement will be made a part of the record. We have, I think, adequate time. You may proceed in any way you wish.

[The prepared statement of Senator Dole follows:]

THE FULL TEXT OF SENATOR DOLE'S REMARKS

This hearing represents a momentous first step toward righting a grievous wrong that was done by enacting President Carter's so-called "Windfall Profit" Tax. I want to thank Senator Boren for his hospitality and cooperation in making the arrangements for these hearings and to all of you who have shown up here today.

The "Windfall Profit" Tax has turned out to be a cruel hoax on the American people. It is not a tax on profits at all, but an extremely complicated excise tax imposed at the wellhead on crude oil produced in the United States. It is not energy legislation. Rather it is the largest single revenue bill ever enacted by Congress. It is clear that the principal beneficiary of any "windfall" is the Federal Government which will receive $227 billion in new revenues from this tax over the next 11 years.

It is also clear that the Windfall Profit Tax will reduce, rather than increase, future domestic oil production. It will greatly lessen the economic incentives to risky exploration, and more importantly, will greatly reduce the capital available to those who would look for new oil. Already I have received reports of wells being plugged and future drilling plans being scrapped. I hope that some of those who speak today will focus on, and perhaps quantify, the effect that this tax is having on oil production in this region. Ironically, this tax applies only to oil produced in the United States, so it merely encourages the big oil companies to explore overseas, rather than here at home.

Although the Windfall legislation was sold as a means of punishing big oil companies, it will principally penalize millions of small royalty owners, small producers and ultimately all American consumers. The big oil companies, with their integrated refining and retailing operations, have the market power to pass on the full cost of this tax to all consumers of petroleum products. This tax has not repealed the laws of economics. Thus, I believe it foolish to expect that the big oil companies will not treat this tax as a normal cost of business and shift the lion's share of the $227 billion tab for the tax to consumers.

In this Senator's view, the gross inequity of the "Windfall Profit" Tax is nowhere more apparent than in its treatment of royalty owners. Royalty owners are subjected to the same rates of tax as Exxon and the other giant international oil companies: 70 percent on upper and lower tier oil, 60 percent on stripper oil and 30 percent on newly discovered, incremental tertiary and heavy oil. As many in this auditorium are painfully aware, this tax has dramatically slashed royalty owners' checks. On stripper oil, for example, the tax has reduced royalty checks by about 36 percent.

This tax has caused a great hardship among the approximate 2 million small royalty owners throughout this Nation. I have received hundreds of letters and telephone calls from royalty owners who are suffering as a result of this tax. For example, I have heard from an 80 year old couple from El Dorado, Kansas who have not had to pay income taxes in years and who depend on their property income to supplement their Social Security. Nevertheless, this couple was dismayed to find their royalty check cut by one-third by this tax. I have also received similar accounts from a divorced mother of two children from Wichita, a disabled gentleman from Hutchinson, a civil service retiree from McPherson, and from countless small farmers who are also victimized by high interest rates and low farm prices.

Both Senator Boren and I warned our colleagues that passage of the Windfall Bill would produce this kind of hardship on individuals. We tried in vain to have the final version of the bill referred back to the Senate Finance Committee to consider its impact on royalty owners, on independent producers and on future domestic oil production. Nevertheless, Congress was too intent on delivering this new tax to an eager President Carter to stop to hold hearings on the plight of the royalty owner.

On that black day—April 2, 1980—when President Carter signed the "Windfall Profit" Tax into law, Senator Boren and I struck back by introducing S. 2521, a bill to exempt small royalty owners from the new tax on their first 10 barrels per day of royalty interest. This 10-barrel-a-day exemption, which applies to both overriding and landowner royalties, should exempt the vast majority of small royalty owners in the U.S.

S. 2521 does not deal directly with the problems of independent producers. Nevertheless, we are also here today to listen to producers to determine how this legislation is affecting them and how the tax might be improved short of total repeal.

While I am optimistic that we will eventually prevail in our effort to secure equitable treatment for royalty owners and to address other defects in the tax, I do not want to raise false hopes. This fight will not be easy. Nor is it likely to be quick. Already, the Federal Government is hooked on the revenue from the Windfall Tax. However, at least in this Senator's view, we must find some better way of balancing the Federal Budget than squeezing the last measure of tax from retirees, struggling farmers and other small royalty owners.

STATEMENT OF MR. BERNARD E. NORDLING, SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION

Mr. NORDLING. Thank you very much, Senator Dole. Senator Dole, honorable members of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance, U.S. Senate, ladies and gentlemen, my name is Bernard E. Nordling of Hugoton, Kans. I am executive secretary of the Southwest Kansas Royalty Owners Association. I am appearing on behalf of our association to report on the impact of the windfall profit tax on royalty owners and to support Senate bill 2521, providing for more equitable treatment of royalty owners under the windfall profit tax bill.

Our association is a nonprofit Kansas corporation, organized in 1948. We have a paid up membership of over 2,000 members. Our membership is limited to landowners owning mineral interests in the Kansas portion of the Hugoton Field—lessors under oil and gas leases as distinguished from oil and gas lessees, producers, operators, or working interest owners. While membership in our organization is voluntary, our members own mineral interests in approximately 1,200,000 acres, not quite half of the producing acreage in the Hugoton Field.

For several months, our association has expressed opposition to the windfall profit tax. On January 16, 1980, our board of directors adopted a resolution setting forth the reasons for opposition of the tax. A copy of the resolution is attached to my statement.

The resolution was mailed to all Members of Congress and to the President of the United States. We requested comments and help in opposing the bill or exempting royalty owners. Disappointingly, less than 10 percent of the Congressmen responded as did the White House. Little encouragement was given on exempting royalty owners from the oil tax. Even more disturbing was the failure on the part of some Congressmen to recognize the difference between a producer and a royalty owner.

The most encouraging note is the strong stand Kansas Senator Bob Dole has taken to exempt royalty owners from the windfall profit tax. Recognizing that royalty owners were unjustly treated under the tax, he attempted to remedy this inequity but without success.

In further recognition of the plight of the royalty owners, on the day President Carter signed the windfall profit tax bill into law, Senator Dole, with Oklahoma Senator David L. Boren, Kansas Senator Nancy Kassebaum, and seven other colleagues, introduced a new bill, Senate bill 2521, to entirely exempt small royalty owners from the windfall profit tax up to 10 barrels per day of royalty interest. I will speak to the merits of this bill later in my statement.

According to the Kansas Geological Survey, there were 56,921,000 barrels of oil produced in Kansas in 1979 from approximately 43,500 oil wells. Of these wells, 41,000 to 41,500 wells are in the "stripper" well category, producing less than 10 barrels of oil per day. Last year, Kansas ranked seventh nationwide in oil production.

In the past few days, we have conducted a survey to determine the approximate number of oil royalty owners in Kansas. The survey was conducted by contacting primary first purchasers of domestic oil production. A sufficient number of first purchasers were contacted to obtain a fairly accurate projection of the number of royalty owners receiving royalties from oil production in Kansas. Our projected total is 215,543 royalty owners.

Senator **Dole**. That is much higher than the figure we have.

Mr. **Nordling**. Yes; now, this is a fairly accurate projection. We've contacted at least 80 percent of the first purchasers and projected from there.

Of these 215,000 royalty owners, approximately 66 percent, or slightly over 142,000, are Kansas residents while the remaining 73,000 royalty owners live in other States throughout the country.

I might make one further comment that's not in my statement. There's no duplication of these royalty owners. These are individual royalty owners without duplication, in other words, there might be royalty owners who own royalty interests in several wells but all duplications have been eliminated so the count is fairly accurate that there are over 215,000 royalty owners who are receiving royalties on Kansas production.

The oil tax is inequitable and unfair to royalty owners for the reason they must pay the tax on the same basis as major oil companies. Under the windfall profit tax, royalty owners are paying on the same basis, 70 percent tax rate on the upper tier. You have covered that in your earlier statement, so I'll skip that portion of my statement because it's a duplication. There is no justification for this arbitrary treatment of royalty owners compared to independent producers who pay 50 percent on the upper tier, 30 percent or half the rate on the second tier.

The oil tax paid by royalty owners is confiscatory in nature. Oil is a wasting nonreplaceable natural resource. As each oilfield is exhausted, the landowner royalty owner will have a valueless capital asset in a specific location, whereas the oil producers can move to new locations for exploration and development of new oil and gas fields.

While the theory behind the tax is to use revenues raised for income tax reductions, low income tax assistance and energy and transportation programs, the obvious end result of the tax will be that the consumer will pay the tax as a "pass on" by the producers. Royalty owners, as you pointed out, cannot pass on that tax.

Many of the 142,000 Kansas oil royalty owners are elderly persons receiving social security benefits. According to information furnished by the social security offices, there are a total of 372,317 persons in Kansas receiving social security benefits as of this date. I have a breakdown of the classification but I will not repeat it to save time.

It is fair to assume that many of these persons depend on oil royalty income to supplement their social security benefits. It has been a shock to many retired royalty owners to have their royalty income reduced by as much as 35 percent from the windfall profit tax. For example, a widow in Stevens County received her royalty check last month. The gross royalty of $139 was reduced by $48 in windfall profit tax, or by 35 percent. Another social security recipient received gross monthly royalty of $118.23, with a reduction of windfall profit tax of $40.47, or a 34.2 percent reduction of her monthly income.

It seems rather strange for the Federal Government to take this money away from such individuals and then, under the revenue provisions of the windfall profit tax law, give a portion of the tax revenue back to them in the form of income tax reductions and low-income assistance.

It is my understanding that aside from our association, few royalty owners throughout the United States let their opposition to the windfall profit tax be known to Members of Congress prior to its passage. This is understandable. All advance publicity about the so-called windfall profit tax bill led one to believe that the Federal Government wanted to prevent large oil companies from making huge profits when oil was decontrolled, and that under the proposed legislation, the major oil companies were paying the bulk of the tax. The tax came as a shock to many small royalty owners when they received their April royalty checks, with their monthly income being greatly reduced by the tax.

Our organization urges the passage of Senate bill 2521 to exempt royalty owners from the windfall profit tax up to 10 barrels per day of royalty interest, or to exempt royalty owners completely from the tax.

We project with the 10-barrel-per-day exemption of royalty owners, that would eliminate say 95 percent of the royalty owners, although we have no accurate figure on that.

In addition to the reasons given above, millions of dollars in administrative costs each year would be saved by such an exemption, both in costs to the Federal Government, to the producers, and to the first purchasers of the oil subject to the windfall profit tax.

Thank you for the opportunity to be here on this important legislation.

Senator DOLE. Do you have extra copies of your statement, Bernie?

Mr. NORDLING. I furnished 100 copies.

Senator DOLE. I know the press would like to have copies of your statement. I guess they are available now.

Mr. NORDLING. We can make more copies available, if you want to hand some out.

Senator DOLE. It's an excellent statement. I think there may be some in the audience who would like copies. I would like to ask several questions of the audience so the press would understand without any doubt who most of the people are who have royalty income. How many in this audience are landowners or have an interest in farming? Just stand up. Let the record show that nearly everyone—but at least 30 percent stood up. You can sit down. How many in this audience are retired? Let the record show that at least one-half of the audience stood up. You can sit down. How many in the audience represent big oil? No one stood. Well, there's some standing in the back, but they couldn't find a chair.

Senator Boren asked these same questions this morning of the Oklahoma audience. About the same percentage, I would say 60, 70, 80 percent of the people impacted by this unjust, discriminatory, unfair tax are farmers, landowners, and retired people. There are also others—small businessmen or women—who may have bought some royalty as an investment. I think it is an indication, as Bernie Nordling said, that there may be more than 142,000 royalty owners in Kansas plus 73,000 more who live outside the State who are getting royalty checks from production in Kansas.

Mr. **Nordling**. That's correct, and it's a fairly accurate projection, the best one we could possibly make, and it's fairly accurate.

Senator **Dole**. One of the witnesses suggested this morning that if you know royalty owners who live out of the State, perhaps in a nonproducing State, they might contact their Congressmen or Senators to let them know in New York and Massachusetts and other States that you do not have to live in an oil-producing State to have royalty income. Royalty owners are paying the same tax in New York that you're paying here.

We were estimating this morning that in the first year this tax will take at least $400 million out of Kansas and in Oklahoma that much more.

Excuse me, I thought that was Rod seated next to me. I want to introduce my good friend and, as I said before he came, one of the real friends of royalty owners and landowners, one who has worked very closely with me in a truly bipartisan effort to do something about what we consider to be an unfair tax. I'd like to have all of you give Senator David Boren a good Kansas welcome. Senator Boren, do you have an opening statement you want to make?

Senator **Boren**. Thank you very much, Senator Dole. I'm real glad to be with you this afternoon. I'm sorry I'm a little delayed but the reason I was, at our hearing this morning that Senator Dole participated in in Oklahoma City, we had the same kind of turnout as we have here. I think we signed in 1,700 people this morning.

I heard him polling the audience when I came in. We had the same results there. Most of the people who have been impacted as royalty owners are people in the middle income, lower income, farmers and ranchers, people who are retired and have counted on that royalty income to get along through some pretty hard times. So, the Congress, as usual, has fired a gun and hit the wrong target, and I think that's been amply demonstrated.

These hearings are very helpful for us because they will help prepare a record for the committee that will improve our chances of taking action.

I want to say that I'm really pleased to have joined with Senator Dole in sponsoring this bill which will exempt the first 10 barrels a day of royalty production. It will take care of a very large portion of royalty owners.

We had one company do a study and you may have mentioned this, that out of 31,000 royalty owners involved with their particular company, only 21 of 31,000 had more than 50 barrels a day of royalty production and the vast majority, over 90 percent, had 10 barrels or less of royalty production. I stress royalty production because you might have a well that might be making 100, 200 barrels a day, but the royalty shared, the fractional interest to the royalty owner would not exceed 10 barrels, so in this bill we're talking about royalty owner's share and I hope we can do something to remedy the injustice which has been perpetrated.

I might mention that your Senator made the motion the last day that the windfall profit tax was being voted on, he made the last ditch effort, which I joined him in, to send that bill back to committee for the purpose of taking the royalty owners out from under this tax, and he made a very very strong effort on the Senate floor to do it. The railroad was already going down the track, unfortunately at that point, or the steam roller, and we were only able to get 36 votes but already among the 24 who cosponsored this bill are several who voted against us on that occasion who are already changing their position. So, this gives us encouragement and I would say that this is something I hope we can carry out.

This is a bipartisan effort. Your Senator and I are from different political parties but we have certainly joined together in this effort and are determined to see it through.

He doesn't know that I'm going to say this but I said this in Oklahoma today and I hope he'll forgive me if I say it here, but as you know at one particular point in time there were several members of the Senate who were involved in Presidential campaigns, one of them is here with us today. And, during this same time we were considering the windfall profit tax and at times there were real reasons if you were a Presidential candidate that you needed to be someplace else other than the U.S. Senate. The day the primaries were held and the days before and I don't know how many times I and others went to Bob Dole and said look, this is a crucial vote, we need you here, you're the only person that can swing a certain number of votes on the Senate floor and the Finance Committee on this particular issue. I can tell you that for 5 months he sacrificed his personal ambitions to be there in the Senate, in the Senate committee. When the others involved were out someplace else, he was there and in the Senate committee doing the work that you sent him up there to do, and I can tell you my respect for him went up tremendously. As a Democrat, I said to my citizens in Oklahoma this morning that I hoped they'd all write their Kansas relatives and let them know about it and it's a privilege to work with you on this bill.

Senator DOLE. I appreciate those kind comments very much. Senator Boren made the same comments in Oklahoma. I said that I hadn't written it for him but I did urge him to say it. But, I think it indicates that friendship and what is right is more important than party labels. That is why Senator Boren has agreed to come here this afternoon, and I hope he will have time to read your statement, Mr. Nordling.

I would like to point out that we relied on Bernard Nordling a lot during the course of the consideration of the windfall tax because, as he indicated, there is no national royalty organization. There is not even a Kansas Royalty Owners Association, which covers all the State, and there was not one in Oklahoma. Thus, we relied on certain indiiduals we knew had that expertise. I want to thank Bernard Nordling or his assistance.

As Senator Boren said, we did fall short of votes needed to send he bill back to committee. However, there are some Senators now who, f we can properly persuade them and make them understand who is eally hit with this tax, will help us on this exemption.

Now, Jack, do you have a separate statement?

Mr. NORDLING. He has a statement relative to elderly people.

[The prepared statement of Mr. Nordling follows:]

For those people who are not on the witness list, who may have letters, written statements, or some document that indicates how the tax applies to you, we would be very happy to receive them. They will be made a part of the official record. They will be made available to other Senators on the Finance Committee. If you have a statement with you today, if you'll just take it to this table it will be made a part of the record.

STATEMENT OF BERNARD E. NORDLING, EXECUTIVE SECRETARY, SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION

To the Honorable Members of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance, United States Senate.

INTRODUCTION

Gentlemen: My name is Bernard E. Nordling of Hugoton. I am Executive Secretary of the Southwest Kansas Royalty Owners Association. I am appearing on behalf of our Association to report on the impact of the windfall profit tax on royalty owners and to support S. 2521, providing for more equitable treatment of royalty owners under the WPT bill.

BACKGROUND INFORMATION

Our Association is a non-profit Kansas corporation, organized in 1948. We have a paid-up membership of over 2,000 members. Our membership is limited to landowners owning mineral interests in the Kansas portion of the Hugoton Field—lessors under oil and gas leases as distinguished from oil and gas lessees, producers, operators, or working interest owners. While membership in our organization is voluntary, our members own mineral interests in approximately 1,200,000 acres, not quite half of the producing acreage in the Hugoton Field.

SWKROA HAS VOICED OPPOSITION TO WINDFALL PROFIT TAX

For several months, our Association has expressed opposition to H.R. 3919. On January 16, 1980, the SWKROA Board of Directors adopted a resolution setting forth the reasons for opposing the tax. A copy of the resolution is attached, marked Exhibit "A," and made a part of this statement by reference.

The resolution was mailed to all members of Congress and to the President of the United States. We requested comments and help in opposing the bill or exempting royalty owners. Disappointingly, less than 10 percent of the Congressmen responded as did the White House. Little encouragement was given on exempting royalty owners from the oil tax. Even more disturbing was the failure on the part of some Congressmen to recognize the difference between a producer and a royalty owner.

The most encouraging note is the strong stand Kansas Senator Bob Dole has taken to exempt royalty owners from the windfall profit tax. Recognizing that royalty owners were unjustly treated under the tax, he attempted to remedy this inequity but without success.

In further recognition of the plight of the royalty owners, on the day President Carter signed the windfall profit tax bill into law, Senator Dole, with Oklahoma Senator David L. Boren, Kansas Senator Nancy Kassebaum, and seven other colleagues introduced a new bill, S. 2521, to entirely exempt small royalty owners from the windfall profit tax up to 10 barrels per day of royalty interest. I will speak to the merits of this bill later in my statement.

OIL PRODUCTION IN KANSAS IN 1979

According to the Kansas Geological Survey, there were 56,921,000 barrels of oil produced in Kansas in 1979 from approximately 43,500 oil wells. Of these wells, 41,000 to 41,500 wells are in the "stripper" well category, producing less than 10 barrels of oil per day. Last year, Kansas ranked seventh nationwide in oil production.

NUMBER OF OIL ROYALTY OWNERS IN KANSAS

In the past few days, we have conducted a survey to determine the approximate number of oil royalty owners in Kansas. The survey was conducted by contacting primary first purchasers of domestic oil production. A sufficient number of first purchasers were contacted to obtain a fairly accurate projection of the number of royalty owners receiving royalties from oil production in Kansas. Our projected total is 215,543 royalty owners.

Of these 215,543 royalty owners, approximately 66 percent, or slightly over 142,000, are Kansas residents while the remaining 73,000 royalty owners live in other states throughout the country.

THE TAX IS INEQUITABLE AND UNFAIR TO ROYALTY OWNERS

The oil tax is inequitable and unfair to royalty owners for the reason they must pay the tax on the same basis as major oil companies. Under the WPT law, royalty owners are paying at a 70 percent tax rate on upper and lower tier oil. They pay at a tax rate of 60 percent for stripper oil and 30 percent for newly discovered oil, incremental tertiary oil, and heavy oil. These are at the same rates paid by the major oil companies, being some of the largest corporations in the world. On the other hand, independent producers are taxed at a reduced rate of 50 percent on the first 1,000 barrels per day on production of lower tier and upper tier oil and at a reduced rate of 30 percent on stripper well oil and National Petroleum Reserve oil. There is no justification for this arbitrary and unfair treatment of royalty owners.

The oil tax paid by royalty owners is confiscatory in nature. Oil is a wasting nonreplaceable natural resource. As each oil field is exhausted, the landowner-royalty owner will have a valueless capital asset in a specific location, whereas the oil producers can move to new locations for exploration and development of new oil and gas fields.

CONSUMERS WILL ULTIMATELY PAY THE TAX

While the theory behind the tax is to use revenues raised for income tax reductions, low income tax assistance and energy and transportation programs, the obvious end result of the tax will be that the consumer will pay the tax as a "pass-on" by the producers. In other words, the tax will logically be passed on by the major oil companies and independent producers to the consumers, thus causing double taxation for the royalty owners, who are consumers but who have no available means to pass on their portion of the tax.

THE WINDFALL PROFIT TAX RESULTS IN REDUCED INCOME TO ROYALTY OWNERS

Many of the 142,000 Kansas oil royalty owners are elderly persons receiving social security benefits. According to information furnished by the Social Security offices, there are a total of 372,317 persons in Kansas receiving social security benefits as of this date. The classification of such persons is as follows:

Age group:	Number of persons
Under 65 years of age	96,923
Between ages of 65 to 71, inclusive	112,988
Persons 72 years of age and over	162,406
Total persons in Kansas receiving social security benefits	372,317

It is fair to assume that many of these persons depend on oil royalty income to supplement their social security benefits. It has been a shock to many retired royalty owners to have their royalty income reduced by as much as 35 percent from the windfall profit tax. For example, a widow in Stevens County received her royalty check last month. The gross royalty of $139.00 was reduced by $48.40 in windfall profit tax, or by 35 percent! Another social security recipient received gross monthly royalty of $118.23, with a reduction of windfall profit tax of $40.47, or a 34.2 percent reduction of her monthly income.

It seems rather strange for the federal government to take this money away from such individuals and then, under the revenue provisions of the WPT law, give a portion of the tax revenue back to them in the form of income tax reductions and low income assistance!

MISLEADING INFORMATION ABOUT THE WINDFALL PROFIT TAX

It is my understanding that aside from the SWKROA, few royalty owners throughout the United States let their opposition to the WPT be known to members of Congress prior to its passage. This is understandable. All advance publicity about the so-called "windfall profit tax" bill led one to believe that the federal government wanted to prevent large oil companies from making huge profits when oil was decontrolled, and that under the proposed legislation, the major oil companies were paying the bulk of the tax. The tax came as a shock to many small royalty owners when they received their April royalty checks, with their monthly income being greatly reduced by the tax.

Another factor to consider is that the hundreds of thousands of royalty owners throughout the United States have no national organization to keep them informed of pending legislation or to protect their rights as do other groups. Thought has been given to organize such a group, but it seems an almost insurmountable task. Because of the lack of proper information, it is often too late for royalty owners to express their opinions to their Congressional representatives on legislation affecting their correlative rights.

THE SWKROA URGES THE PASSAGE OF S. 2521

Our organization urges the passage of S. 2521 to exempt royalty owners from the windfall profit tax up to 10 barrels per day of royalty interest, or to exempt royalty owners completely from the tax.

In addition to the reasons given above, millions of dollars in administrative costs each year would be saved by such an exemption, both in costs to the federal government, to the producers, and to the first purchasers of the oil subject to the WPT.

Thank you for the opportunity to be heard on this important legislation.

Attachment.

SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION

RESOLUTION

Whereas, the Southwest Kansas Royalty Owners Association is a non-profit Kansas corporation, organized in 1948. Its membership is limited to landowners owning mineral interests in the Kansas portion of the Hugoton Gas Field, i.e., landowner-lessors under oil and gas leases as distinguished from oil and gas lessee-producers, operators and working interest owners. The Association has a membership of over 2,000 landowners, and its primary objective is to protect the rights of landowners in the Southwest Kansas area; and

Whereas, the Hugoton Field comprises a substantial portion of nine Southwest Kansas counties, extends through the Panhandle of Oklahoma into Texas, and adjoins the large East and West Panhandle fields of Texas. The Hugoton, East and West Panhandle fields of Kansas, Oklahoma and Texas cover approximately 33,000 square miles and over 21 million acres. Underlying the area are about 15 percent of the known natural gas reserves of the United States producing from shallow formations and 99 percent of the nation's helium reserves. Lying within the confines of these fields are millions of acres of partially developed oil and gas producing formations at deeper depths; and

Whereas, there are more than 30,000 landowners living throughout the United States owning mineral interests in these fields, who have millions of dollars invested in these valuable natural resources. There are hundreds of thousands of additional small landowners owning lands in other areas of the United States covered by producing oil and gas leases; and

Whereas, there is legislation pending before Congress to impose a "windfall profits tax" on domestic crude oil (H.R. 3919); and

Whereas, in the struggle between those opposed and those favoring the "windfall profits tax", the landowner seems to have been overlooked and forgotten.

The imposition of such a tax will materially hurt the landowner more than the lessee-producer for the reason that as each oil or gas field is exhausted, the landowner will have a valueless capital asset in a specific location, whereas the lessee-producer can move to new locations for development and production of oil or gas; and

Whereas, the proposed legislation is aimed at only domestic oil production and does not affect other minerals such as coal, sand, gravel, magnesium, aluminum, sulfur and uranium, and such legislation is grossly unfair, arbitrary and discriminatory; and

Whereas, thousands of small mineral and royalty owners, including widows and retired persons, depending on small monthly royalty checks to supplement their social security benefits and other retirement income, will be deprived of income in reduced royalties as a direct result of the tax; and

Whereas, the nation is already faced with an energy crisis. When more domestic oil production is needed and should be encouraged, the obvious impact of the "windfall profits tax" will be to significantly reduce domestic exploration and development; and

Whereas, any tax or restrictions imposed on an industry which will obviously reduce the development of the domestic energy sources is tragic and detrimental to the best interests of all of the citizens of this country.

Now, therefore, be it resolved by the board of directors of the Southwest Kansas Royalty Owners Association, on behalf of its members and on behalf of hundreds of thousands of small mineral and royalty owners throughout the United States, that it hereby opposes any Congressional action to impose a "windfall profits tax" on oil for the reasons stated above.

Be it further resolved that in the event H.R. 3919 is passed by Congress, all mineral and royalty owners be exempted from the provisions of such Act.

Be it further resolved, that the Secretary of this Association is hereby directed forthwith to transmit a copy of this Resolution to the President of the United States, to the Senate Conference Committee members, to the House Conference Committee members, and to all other members of Congress.

Adopted this 16th day of January, 1980, by the Board of Directors of the Southwest Kansas Royalty Owners Association.

ROBERT LARRABEE, *President.*

STATEMENT OF L. F. STANLEY, MEMBER OF SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION

Mr. STANLEY. To Hon. Robert Dole, Hon. David L. Boren, members of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance, U.S. Senate, and all you other people who are here today to participate and hear this meeting, my name is L. F. Stanley of Satanta, Kans. I am a member of the Southwest Kansas Royalty Owners Association and have been actively working with people who own mineral interests in Kansas and other States. From my experiences, I am deeply concerned about the effect the windfall profit tax is having on the elderly. I might add that 30 years a realtor lets me see who actually owns the minerals and where they're scattered.

In a recent survey of companies who purchase Kansas produced crude oil and remit royalties to royalty owners, it was estimated that about 130,000 royalty owners receive less than $600 a year in royalty payments. Now, I want to emphasize this because I think that we've been operating under an assumption that here is a group of people who can stand the tax and who can well pay it. The facts tell you otherwise.

When you consider that nearly all of the original royalty interests have gone through two or three estate settlements, and in each estate the royalty interests are divided among the heirs, very few persons own all the royalty from a single oil well. Now, the figure that Mr. Nordling gave you, 215,543 royalty owners in Kansas is a sizable figure, but more important, every State in the Union has people living in it that receive royalty from oil-producing States.

I submit that for the person who receives $600 a year in total income, it really doesn't make any difference whether they live in Great Bend, Kans.; Brooklyn, N.Y.; Anchorage, Alaska; or Atlanta, Ga.; the effect is the same.

The average oil well in Kansas produces only 3.6 barrels of oil per day, and it is calculated that if an individual owned all the royalty interest in an average well, his or her oil royalty would approximate $15 per day. The windfall profit tax is computed at an average of about $4.50 per day. Thus, the royalty owner would net $10.50 a day before the Kansas ad valorem taxes on oil production are assessed.

Now, we talk about people who have made a sacrifice to do something for themselves and this reminds me of the social security category. People in Kansas have an average of $271 per month from social security, so if you take a person that is on social security, add this figure of income for oil, you're saying that the total income before the windfall profit tax that is going less than $600 a month to live on. This, to me, is an astounding figure.

Now, I'm also concerned about another aspect of who is a royalty owner. First of all, there's probably more royalty owners taking all the divisional interest than there is surface owners given production areas so that the filter down of the dollar income is wide in producing areas. I think this means something to everybody that is in the areas, so far as basic livelihood is concerned.

I also would like to say something about the dignity of the person. I know we're all concerned about the moral fiber of the country and it seems to me like when a person has worked to accumulate something, then all of a sudden finds that they have to sell off the surface of their land to live on, then they have the royalty income left to live on, then they have an oil tax that takes 35 percent, that the dignity of man is stressed and perhaps snapped. I submit this is a serious thing.

I've enjoyed making this statement today. Thank you.

Senator DOLE. One of the witnesses this morning made the point that on his quarter of land he now doesn't own a 160 acres of royalty, he owns 104. The Government took the other 56 acres without even notification. That's the way he divided it up, that's the same 35 percent you discussed.

I don't have any questions. We thank you for your excellent statement and appreciate your efforts in the past.

Mr. STANLEY. Thank you for the opportunity.

[The prepared statement of Mr. Stanley follows:]

SUMMARY OF STATEMENT MADE BY L. F. STANLEY

Of the 215,543 persons receiving oil royalty from the 43,500 oil wells in Kansas, about 130,000 of these persons receive less than $600 in royalties. Since many of the owners of mineral interests are living on their social security benefits and their royalty payments, the windfall profit tax is creating a new class of welfare recipients. The royalty owner should be exempt from the windfall profit tax.

STATEMENT OF L. F. STANLEY, MEMBER OF THE SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION, SATANTA, KANS.

To Honorable Robert Dole and Honorable David L. Boren, Members of the Subcommitee on Taxation and Debt Management of the Senate Committee on Finance, United States Senate.

INTRODUCTION

Gentlemen: My name is L. F. Stanley of Satanta, Kansas. I am a member of the Southwest Kansas Royalty Owners Association and have been actively working with people who own mineral interests in Kansas and other states. From my experiences, I am deeply concerned about the effect the windfall profit tax is having on the elderly.

In a recent survey of companies who purchase Kansas produced crude oil and remit royalties to royalty owners, it was estimated that about 130,000 royalty owners receive less than $600 a year in royalty payments.

There is a misconception that the average royalty owner is rolling in wealth. When you consider that nearly all of the original royalty interests have gone through two or three estate settlements, and in each estate the royalty interests are divided among the heirs, very few persons own all the royalty from a single oil well. This is confirmed since there are at least 215,543 royalty owners receiving royalties from about 43,500 oil wells in Kansas, and about 60 percent of these are residents of Kansas. The average oil well in Kansas produces only 3.6 barrels of oil per day, and it is calculated that if an individual owned all the royalty interest in an average well, his or her oil royalty would approximate $15 per day. The windfall profit tax is computed at an average of about $4.50 per day. Thus, the royalty owner would net $10.50 a day before the Kansas ad valorem taxes on oil production are assessed.

Many royalty owners are elderly persons who are dependent upon their social security benefits and oil royalty payments for their total support. Quite a number of royalty owners no longer own an interest in the surface of the land, having sold the surface and reserving a life estate in the minerals.

According to the Social Security offices, at the present time, the average social security payment in Kansas to widows is $271 per month and the average retired person receives $289 per month in social security benefits. Thus, the total income, before taxes, for a person having a full royalty interest in one stripper oil well after the windfall profit tax is removed, is less than $600 a month. When one considers that the basic care in an average nursing home for a person, not on Medicare, is $24.48 per day, or $764.40 monthly, this is creating a new class of welfare clients, and the windfall profit tax is compounding the problem.

The removal of the windfall profit tax from the proceeds of the first 10 barrels of oil per day as proposed by S. 2521 would greatly improve the situation. I respectfully request that this Committee recommend to Congress that royalty owners be exempted from the WPT completely, or at least be granted an exemption from the tax of up to 10 barrels per day as provided by S. 2521.

Respectfully submitted,

L. F. Stanley.

Senator Dole. Is Paul Simpson here? Do you know whether Paul is going to be here?

Mr. Nordling. No.

Senator Dole. Gilbert Rundell, Kansas Farm Bureau. Your statement will be made a part of the record, Gilbert. You may proceed in any way you wish, summarize your statement in its entirety.

STATEMENT OF GILBERT RUNDELL, SEVENTH DISTRICT DIRECTOR, KANSAS FARM BUREAU

Mr. Rundell. Senator Dole, we appreciate the opportunity to appear today to make brief comments regarding the legislation you and some of your fellow Senators have introduced to correct one of the inequities of the so-called windfall profit tax legislation on behalf of the Kansas Farm Bureau.

You and Senator Kassebaum from our great State, and Senators Bellmon and Boren from Oklahoma, and your other colleagues in the Senate are to be commended for attempting to get the windfall bill put back in conference to correct some of the problem areas of it before it ever went to a vote in the Senate. We know you tried. We appreciate that.

We like always to say something good about a person or circumstance, where that is possible. And it usually is. It's even possible to say something good about H.R. 3919. In fact, there are five things to commend in regard to the Senate and House of Representatives finally acting on the conference committee report on the so-called windfall profit tax measure. No. 1, carryover basis was repealed. No 2, there was provided an incentive for savers. No. 3, the legislation provided incentives for gasohol production and use. No. 4, the legislation provided tax credits for energy conservation, and No. 5, action on this measure allowed the Congress to get on to more important considerations.

Repeal of the carryover basis rule had been a top priority item for those of us in Farm Bureau.

Senator Dole, we appreciate your work in the Senate Finance Committee to persuade your colleagues of the merits of repealing the carryover basis rule. We put that at the top of the list of things that were beneficial in the passage of the so-called windfall profit tax bill.

We have policy positions that follow, but I'll not take the time now to read them. I'm hoping that you will.

The final benefit to the Nation as a whole of the Congress finally acting on H.R. 3919 is this: You put behind you a legislative package that had occupied your time for far too long. We have needed for years decontrol of the oil and gas industry. We have needed for years for oil and gas prices to find the appropriate level through the marketplace. They have not. They have not and they will not for so long a time as the sword of the windfall profit tax hangs over the head of the industry. It affects not only the so-called big oil companies, it impacts adversely on independent producers and it will be the financial ruination of small royalty owners or owners of small working interest in oil properties.

And, we still have future policy statements that, here again, I'll not take time to read.

Make no mistake about it, the consuming public is going to pay what the administration felt was going to be a tax on an unexpected gain, a windfall, for the major oil companies. Those companies are quite capable of passing on their tax. And it will be passed on. And those of us who are consumers will pay it.

What we are really here today to talk to you about is your own legislation, Senator Dole. You and your colleagues have introduced Senate bill 2521 to correct yet another inequity of the so-called windfall profit tax. In that legislation, the Congress decided, or the conference committee did because the House would not buy the more reasonable Senate approach to windfall profit tax, decided to have old oil and new oil subject to a horrendous tax.

The rate follows and that's been given, so I'll not go over that, but hopefully you will read all this.

Royalty owners were lost and forgotten when the so-called windfall profit tax legislation was being shaped and passed. We hope you can use your legislation, Senator Dole, to bring about some equity. We hope your colleagues in this subcommittee and in the full Senate Finance Committee will assist you to repeal the provisions of the windfall profit tax law affecting the royalty owners. We urge them to join you and your cosponsors. We urge early consideration for Senate bill 2521.

Since it is unlikely you can go back to Washington and introduce and get passed a bill to repeal the whole of the windfall profit tax measure and leave only those beneficial ingredients such as repealing carryover; since it is doubtful you can go back and introduce the authorization for a Department of Energy; since it is doubtful that legislation would pass which would totally decontrol and/or deregulate the oil industry and other industries and deregulate business and agriculture, then we would ask you to do what is possible. And, we believe it's possible for your colleagues to recognize the futility of extracting 60 percent or 70 percent in taxation from small royalty owners or working interest owners. We ask you to correct that. And, we will appreciate you and your colleagues for it.

My final comment, Senator Dole, is that this tax will be particularly hard on Kansas independent operators because the big percent of oil in Kansas is from small wells. It will result in the abandonment of those wells, leaving reserves in the ground, and it will keep operators from doing remedial work on wells to keep them in production. Thank you, Senator Dole, for the opportunity to speak here today.

Senator **Boren**. I appreciate your statement very much. You made a reference to some wells that might be abandoned, and, of course, we found that when we decontrolled the stripper production a few years ago that the abandonment rate went down about 500 percent and there was a real incentive to keep those wells in production. You mentioned the new danger because, of course, with the windfall tax, stripper production which has been at the world price previously will now, in effect, it will roll back the price and the royalty owner with the stripper production will be even harder hit.

Do you have any idea what proportion of the production in Kansas, or what proportion of the number of wells in Kansas would fit into this stripper category?

Mr. **Rundell**. Senator, a large percentage of the wells in Kansas are 10 barrels or less.

Senator **Boren**. More than half?

Mr. **Rundell**. Yes; much more than half. I'd say in the 90-percent area.

Senator **Boren**. I appreciate your comments and I think they highlighted some of the problems with this tax bill.

Mr. **Rundell**. Thank you.

Senator **Dole**. Our figures indicate that Kansas produced 156,000 barrels a day, 108 of which are produced by stripper wells. Gilbert, thank you very much. Is the press being supplied copies now?

[The prepared statement of Mr. Rundell follows:]

STATEMENT BY KANSAS FARM BUREAU

Senator Dole, we appreciate the opportunity to appear today to make brief comments regarding the legislation you and some of your fellow senators have introduced to correct on of the inequities of the so-called windfall profit tax legislation.

You and Senator Kassebaum from our great state, and Senators Bellmon and Boren from Oklahoma, and your other colleagues in the Senate are to be commended for attempting to get the windfall bill put back in conference to correct some of the problem areas of it before it ever went to a vote in the Senate. We know you tried. We appreciate that.

We like always to say something good about a person or a circumstance . . . where that is possible. And it usually is. It's even possible to say something good about H.R. 3919. In fact, there are five things to commend in regard to the Senate and House of Representatives finally acting on the Conference Committee report on the so-called windfall profits tax measure:

Carryover basis was repealed.

There was provided an incentive for savers.

The legislation provided incentives for gasohol production and use.

The legislation provided tax credits for energy conservation, and

Action on this measure allowed the Congress to get on to more important considerations.

Repeal of the carryover basis rule had been a top priority item for those of us in Farm Bureau. We appreciated the fact that implementation of the carryover basis rules of the Tax Reform Act of 1976 had been delayed by Congress. We were concerned that outright repeal would be difficult or impossible, given the fact that the present President had said he would veto a measure of that nature. So, Senator Dole, we appreciate your work in the Senate Finance Committee to persuade your colleagues to the merits of repealing the carryover basis rules. We put that at the top of the list of things that were beneficial in the passage of the so-called windfall profits tax bill.

We have in our policy positions in Farm Bureau, adopted by voting delegates, a short statement that says:

Tax incentives should be developed to encourage savings and capital investment.

An important step was taken when a provision was added to the windfall profits tax bill to exclude from income taxation up to $200 in interest on savings and dividends. We understand the amount is double that for a joint return. Well, that's a start to encourage savings. We commend the Congress for acting favorably on that ingredient.

There has been a great deal of talk about alcohol production for use in blending with refined gasoline to make the product known as gasohol. The production and use of gasohol received a boost when our Kansas Senator and his colleagues provided tax incentives through the windfall profits tax bill. We think this is altogether appropriate. We recognize that our energy needs will not be met totally in this way, but it is a significant contribution . . . grain alcohol is, ethanol and methanol production will be . . . and agriculture is very much a part of this. We commend the Congress for incentives to stimulate development in this vital alternative energy source.

You provided tax credits for energy conservation. Our resolutions and policy positions have sought that. Have sought increased reliance on solar, geothermal, wind, coal, and YES nuclear energy.

The final benefit to the nation as a whole of the Congress finally acting on H.R. 3919 is this: You put behind you a legislative package that had occupied your time for far too long. If you had done so on a cost/benefit ratio, you would have discarded the idea long ago. But you did act on the measure, hand it to President Carter, and move on to important legislative considerations.

What you left in the wake with enactment of the windfall profits tax is going to be contrary to what many had hoped when the buzz words "windfall profits" were bandied about for years. We have needed for years decontrol of the oil and gas industry. We have needed for years for oil and gas prices to find the appropriate level through the marketplace. They had not. They have not. And they will not for so long a time as the sword of the windfall profits tax hangs over the head of the industry. And it affects not only the so-called big oil companies. It impacts adversely on independent producers. And it will be the financial ruination of small royalty owners or owners of small working interest in oil properties.

Another one of our policy statements, adopted by farmers and ranchers, says.

Tax policy should be designed to encourage private initiative, help stabilize the dollar, promote employment and economic growth, and distribute the tax burden equitably.

The windfall profit tax does none of those things. It destabilizes. It is a disincentive to investment. It does not promote employment. It does not provide for economic growth. Our energy policy statement is perhaps more to the point than that particular tax policy statement. In the area of energy our farmers and ranchers said:

To provide positive incentives for increased domestic exploration and development of oil and gas by the free enterprise system, we must encourage capital investment in the development of domestic energy of all types. To achieve this end, Congress should encourage exploration and development through appropriate incentives and avoid punitive taxes on the energy industry such as the so-called windfall profits tax. Also, consideration should be given to protecting these enterprises against the risk of price manipulation by foreign energy sources which could stop development.

WINDFALL TAX A DISINCENTIVE AND UNFAIR

Make no mistake about it, the consuming public is going to pay what the administration felt was going to be a tax on an unexpected gain . . . a windfall . . . by the major oil companies. Those companies are quite capable of passing on their tax. And it will be passed on. And those of us who are consumers will pay it.

What we are really here today to talk to you about is your own legislation, Senator Dole. You and your colleagues have introduced S. 2521 to correct yet another inequity of the so-called windfall profits tax. In that legislation, the Congress decided . . . or the Conference Committee did because the House would not buy the more reasonable Senate approach to windfall profits tax . . . decided to have "old oil" and "new oil" subject to an horrendous tax. The rate is, we understand, 70 percent. This tier one, old oil (lower tier) and new oil (upper tier) is going to be subject to a 70 percent tax. You have a 60 percent tax on stripper oil. And royalty owners are going to be paying through the nose.

What Mr. Carter apparently wanted to do was to tax the giants in the oil industry. What became of his proposal as it worked its way through the legislative process was to add that same high tax of 70 percent or 60 percent on royalty owners and stripper well oil to effectively do away with a ⅓ to 40 percent or more of the income of these royalty owners.

Royalty owners were lost and forgotten when the so-called windfall profit tax legislation was being shaped and passed. We hope you can use your legislation, Senator Dole, to bring about some equity. We hope your colleagues in this Subcommittee and in the full Senate Finance Committee will assist you to repeal the provisions of the windfall profits tax law affecting the royalty owners. We urge them to join you and your cosponsors. We urge early consideration for S. 2521.

Tell your colleagues in the Senate that most of these royalty owners are small farmers. Tell your colleagues in the Senate what the economic conditions are for the family farmer in 1980. Tell your colleagues in the Senate what the export opportunities are since the President embargoed our grains. Tell your colleagues in the Senate that domestic oil production is going to be adversely affected if landowners postpone leasing until the termination date of the windfall profits tax law. Tell them that landowners have waited out a number of plagues. They may be able to wait out another one. We hope they don't have to.

Since it is unlikely you can go back to Washington and introduce and get passed a bill to repeal the whole of the windfall profits tax measure and leave only those beneficial ingredients such as repealing carryover; since it is doubtful that you can go back and introduce the authorization for a Department of Energy; since it is doubtful that legislation would pass which would totally decontrol and/or deregulate the oil industry and other industries and deregulate business and agriculture, then we would ask you to do what is possible. And we believe it's possible for your colleagues to recognize the futility of extracting 60 percent or 70 percent from small royalty owners or working interest owners. We ask you to correct that. And we will appreciate you and your colleagues for it.

Senator **Dole.** The next witness has come a long distance. Is Clyde Robbins here? Clyde comes from Springfield, Ill., where he is a State representative. He was so interested in these hearings that he drove that distance. This is another indication that this is not just a Kansas problem or an Oklahoma problem. We had a witness this morning testifying from Louisiana, Texas, somebody else sent a statement from Arkansas, and now we have the State of Illinois represented by the Honorable Clyde Robbins from Springfield, Ill.

Mr. ROBBINS. I'd like to make a statement before I start in on my prepared text. About a month ago I talked to Senator Percy and put out a news release 3 weeks ago asking people affected to send me their copies of their oil tax returns, and I didn't ask for any comments. At the end of my statement, in 2 weeks, I have 1,500 of these letters that I would like to be read into the record for your people in Washington so that they will know how it is. If you wish, they are in this box and I will leave them with you.

Senator DOLE. Maybe we will just take the box. I am not certain that we can put them all in the record. The Government will be broke from the printing cost, but I guess we are broke anyway. But, they will be available for inspection by the committee staff and by members.

Mr. ROBBINS They are available, they are all authenticated and there are no duplicates.

Senator DOLE. Good.

[The material referred to follows:]

CLYDE W. ROBBINS,
ILLINOIS HOUSE OF REPRESENTATIVES,
Springfield, Ill., May 23, 1980.

CLYDE W. ROBBINS,
Illinois State Representative,
54th District

Principal Points—S. 2521:

1. Taxes to landowner and/or royalty owner:
   - a. No deduction or exemption;
   - b. No return on investment;
   - c. Loss of planned retirement funds and medical assistance.
2. Damage to land:
   - a. Equipment: wells, roads, pipe lines, rod lines;
   - b. Salt water damage.
3. Cost of reclamation:
   - a. Length of time til farm production;
   - b. Only partial success;
   - c. Expense—high cost per acre.
4. Loss of incentive to lease for future oil development.

SENATE BILL 2521

Mr. Chairman, members of the Senate Finance Committee, ladies and gentlemen. My name is Clyde Robbins, Illinois State Representative, 54th District.

I am appearing here on behalf of the landowners in southern Illinois on the subject of the windfall profits tax on oil. Most, if not all, of the landowners of southern Illinois presumed that the windfall profits tax would be just that, a tax on the profits of large oil companies.

Instead the land owner bears the brunt of this tax. The landowner is taxed at the highest rates applicable according to their tier with no deduction or exemptions. Major oil companies have the exemption of terce or third recovery that they can establish a windfall profit tax fund and pay NO tax at all.

The landowner or royalty owner has to be out the most. They must put up with the wells, the lease roads, the pipe lines, the rod lines and the extensive salt water damage. This damage can be very costly. Sometimes it takes 20 years or longer to return a piece of land to farm production after a salt spill and the process is costly with only partial success. It takes about $1,500 per acre for the average cost of reclamation.

When oil drilling in our area of Illinois began in 1938, land was selling for $10 per acre. Land today will now bring about $2,000 per acre. In 1938, oil in our area sold for $2.10 per barrel. Using the same value per inflation, oil should be worth $42.00 per barrel to break even.

The increase in the value of oil has made it possible to produce stripper wells in our area and expand water floods that were not being produced. Also, some new leasing *had* been done, but as the people see the results of the windfall profits tax on oil, the leases have dried up. The farmer cannot afford to lease valuable farm land to be developed if the government gets the most of the money and the farmer gets the land damage and nothing in return.

The man who worked and saved and bought a little royalty interest is being eaten up. About all of these were to be used for planned retirement. The tax on these people, people in their 60's, 70's and 80's, are causing hardships that you had not thought would exist.

I have asked people to send me copies of their oil stubs. In the past two weeks, I have received over 1,500 of these stubs and they are still coming in at the rate of over 100 per day. I will present to you the stubs that I have processed and the letters that came with them for you to read into the record at your convenience.

Dear Mr. Robbins: We hope you can help reverse this thing the government is doing with our oil checks. We need it so badly with our mounting doctor bills. My wife has been unable to work for 3 years, due to a heart problem. She has had to work for us to make (try) ends meet. My mother died in May of 1979, leaving this oil interest to me. We were hoping for it to relieve the great pressure of doctor and medicine bills. We feel it is wrong to take our money and give it to people who won't work or even try to do right. We need help badly. Sincerely, Stanley R. Schroeder (signed)".

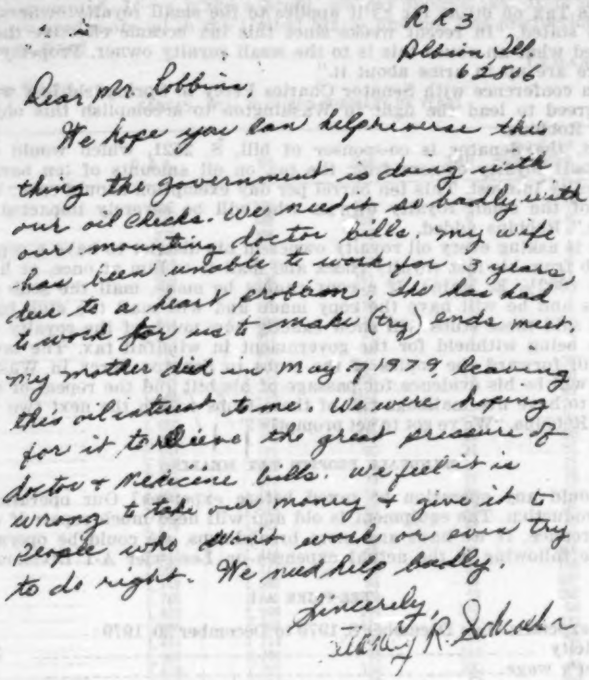
Most of the check stubs that you will look at are $200 or less. I want the Senators and Congressmen to know the amount of money that they are stealing from the people.

The royalty owners and override owners are crying for relief. Must the government continue to confiscate this money from the small landowner and royalty owner to place in its give away programs and pay the cost of a "do nothing" energy program with these dollars?

The people are at the point of tax rebellion now and the tempers in our area are white hot. We must be honest and fair with our people. Almost all of the oil production in southern Illinois is stripper wells of less than 10 barrels. Give them the 10 barrel per day exemption, try at least to be fair.

Pass this bill, give the people what is rightfully theirs. They must pay State income tax, county oil tax, Federal income tax and land tax. After paying all this tax and other land costs, the windfall profits tax should be renamed the "Landowners Loss Tax".

Thank you for your time. The people of Illinois will be expecting a favorable report.

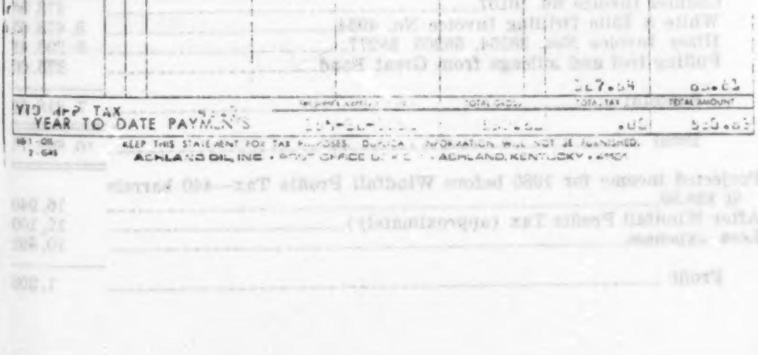


R R 3
Albion Ill
62806

Dear Mr. Robbins,

We hope you can help reverse this thing the government is doing with our oil checks. We need it so badly with our mounting doctor bills. My wife has been unable to work for 3 years, due to a heart problem. She has had to work for us to make (try) ends meet. My mother died in May of 1979, leaving this oil interest to me. We were hoping for it to relieve the great pressure of doctor & medicine bills. We feel it is wrong to take our money & give it to people who won't work or even try to do right. We need help badly.

Sincerely,
Stanley R.



STATEMENT OF OIL AND GAS PURCHASED BY
ASHLAND OIL, INC. AND/OR ITS SUBSIDIARIES

CHECK NO 1254067
CHECK DATE 042580

WINDFALL PROFIT TAX
WINDFALL PROFIT TAX

YTD WPP TAX
YEAR TO DATE PAYMENTS

KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE INFORMATION WILL NOT BE FURNISHED.
ASHLAND OIL, INC. • POST OFFICE [illegible] • ASHLAND, KENTUCKY • [illegible]

Fairfield, Ill. State Representative Clyde Robbins (R-54) of Fairfield, is launching an all out effort this week to help bring about a repeal of the Windfall Profits Tax on oil as far as it applies to the small royalty owners.

Robbins stated, "In recent weeks since this tax became effective the public has learned what an abuse this is to the small royalty owner. Property owners everywhere are up in arms about it."

"I had a conference with Senator Charles Percy in Springfield last week and he has agreed to lead the fight in Washington to accomplish this objective," continued Robbins.

"In fact, the Senator is co-sponsor of bill, S. 2521, which would entirely exempt small royalty owners from the tax on oil amounts of ten barrels per day of royalty interest. This ten barrel per day exemption should cover the vast majority of the small royalty owners who will be severely impacted by the imposition," Robbins added.

Robbins is asking every oil royalty owner in his district to have a copy made of the stub from his last royalty check and mail it to him at once, at his Fairfield office (302½ E. Main). If a copy cannot be made, mail the stub directly to Robbins and he will have the copy made and will mail the stub back.

Robbins said these stubs will show exactly how much of the royalty owner's interest is being withheld for the government in windfall tax. The lawmaker said he will forward the copies of the stubs to Senator Percy in Washington and these will be his evidence for passage of his bill and the repeal of the tax.

"I hope to have five mailbags full of these stubs within the next two weeks," concluded Robbins. "We've got to act promptly!"

WINDFALL PROFITS TAX HEARING

Why should any operation be taxed before expenses? Our operation is a stripper production. The equipment is old and will need much repair if we continue to produce. If we have any more breakdowns, we could be operating at a loss. The following is the actual expenses on Lee-Prier A-1 Division Order #676532:

LEE-PRIER A-1

Operating expenses from December 8, 1979 to December 20, 1979:	
Electricity	$689. 11
Pumper's wage	600. 00
General maintenance—Longs Electric Invoice Numbers 4881, 5001, 5016, 4582, 2601, 2639, 2825, 5744, 47	534. 68
Hogoboom Invoice Nos. 2740, 3602, 3684	265. 10
Hizey Invoice Nos. 28220, 32873, 32295	96. 47
Towanda Nos. 1876, 1937	774. 78
Chem-Co	250. 25
Prairie Insurance	43. 83
Rock and spreading	20. 00
Total	3, 274. 22
The following bills are for the work described above:	
Counter Invoice No. 10107	473. 55
White & Ellis Drilling Invoice No. 4934	3, 473. 55
Hizey Invoice Nos. 38254, 38265. 38277	3, 296. 41
Pulling tool and mileage from Great Bend	375. 00
Subtotal	7, 618. 51
Total	10, 892. 73
Projected income for 1980 before Windfall Profits Tax—440 barrels @ $38.50	16, 940
After Windfall Profits Tax (approximately)	12, 100
Less expenses	10, 892
Profit	1, 208

This is only 2 percent for the investment.

I believe if excessive profits are made on large operations, the small producer should be exempted. If we make a profit, we pay income tax. It is my understanding we need more oil in the United States and not less production, so why kill the incentive?

Lyman David.

Lenora, Kans.

KANSAS—WELL PLUGGING SUMMARY BY YEARS

Year	D. & A.	Oil	Gas	SWD	Input and water supply	Total yearly
1935	292	282	162	0	0	736
1936	516	489	236	0	0	1, 241
1937	272	206	143	0	0	621
1938	340	198	163	3	1	705
1939	508	515	202	1	2	1, 228
1940	646	534	161	8	11	1, 360
1941	787	699	153	10	1	1, 650
1942	764	528	176	4	2	1, 474
1943	944	568	111	2	4	1, 629
1944	1, 010	512	41	7	0	1, 570
1945	796	535	53	4	6	1, 394
1946	770	963	146	5	30	1, 914
1947	1, 076	1, 325	206	13	30	2, 650
1948	1, 446	1, 218	319	8	85	3, 076
1949	1, 475	697	202	19	29	2, 422
1950	1, 887	876	159	22	20	2, 964
1951	2, 092	1, 143	212	19	50	3, 516
1952	2, 334	1, 171	99	34	55	3, 693
1953	2, 521	955	79	27	25	3, 607
1954	2, 527	972	79	31	76	3, 685
1955	2, 627	1, 162	67	29	61	3, 946
1956	2, 613	1, 545	83	37	94	4, 372
1957	2, 279	1, 462	83	29	75	3, 928
1958	2, 051	1, 462	61	40	128	3, 742
1959	2, 353	1, 414	96	45	118	4, 026
1960	2, 005	1, 273	98	33	155	3, 564
1961	1, 749	1, 590	93	49	197	3, 678
1962	1, 785	1, 836	109	43	262	4, 035
1963	1, 873	1, 598	104	270	54	3, 899
1964	1, 930	1, 558	125	52	273	3, 938
1965	1, 841	1, 714	90	283	86	4, 014
1966	1, 587	1, 782	85	252	97	3, 813
1967	1, 619	1, 722	104	398	88	3, 931
1968	1, 599	1, 652	68	83	207	3, 608
1969	1, 378	1, 747	58	71	243	3, 497
1970	1, 209	2, 017	92	69	416	3, 803
1971	1, 070	1, 464	86	89	289	2, 998
1972	1, 101	1, 356	65	97	202	2, 821
1973	998	1, 173	59	73	196	2, 499
1974	1, 399	1, 900	143	92	162	3, 696
1975	1, 611	1, 199	105	73	90	3, 078
1976	1, 722	753	62	58	109	2, 704
1977		605				
1978		559				
1979		541				

NATIONAL STRIPPER WELL SURVEY

JANUARY 1, 1979

A JOINT PROJECT OF THE

INTERSTATE OIL COMPACT COMMISSION

AND THE

NATIONAL STRIPPER WELL ASSOCIATION

Published and Distributed by
INTERSTATE OIL COMPACT COMMISSION
P. O. BOX 53127
OKLAHOMA CITY, OKLAHOMA 73105

INTRODUCTION

The Interstate Oil Compact Commission is pleased to publish its annual National Stripper Well Survey. This survey reinforces the trend to a continuing growth of America's marginal wells.

This year's 8,380 abandonments are less than half of the annual abandonments in 1971. As a corollary, the average production per well has also declined to 2.86 barrels per day.

What this means is that the free market price being extended to these marginal wells is extending their economic life with the beneficial result that every barrel of oil produced by a stripper is a barrel which is not imported. Thus, although the price is the same, a contribution is made to America's balance of payments by the extension of the economic life of these wells.

W. TIMOTHY DOWD
Executive Director
Interstate Oil Compact Commission

September 30, 1979

FOREWORD

By Charles E. Bowlin
Director of Technical Services
Interstate Oil Compact Commission
and
Director, National Stripper Well Survey

The data presented in the National Stripper Well Survey as of January 1, 1979, represent a compilation of information from various contributors in the oil-producing states of the United States. The states of Alaska, Florida and Nevada have no wells in the stripper well classification.

The stripper wells included in this survey were selected by two principal methods, depending on the nature and kind of data available to each contributor. In some instances, the selection was necessarily made on a field or pool basis. The number of wells and production for each field or pool within a state determined whether each one, as a whole, was classified as a stripper or non-stripper well, field or pool.

In some states, it was possible to readily classify stripper wells within all fields or pools on the basis of individual well or lease production. As an example, Louisiana production is classified in this manner. Production from other states, such as Missouri, New York, Pennsylvania and Virginia, is derived entirely from stripper wells.

A stripper well, for the purpose of this survey, is one capable of producing ten barrels of oil per day or less during the year under consideration. A stripper well field is one in which the daily average per well production is ten barrels or less during the year under consideration.

Stripper oil well production, as did total crude production, declined during 1978; however, the significant statistic is reflected in the continuing decline in the number of wells abandoned. The additional oil that operators are economically able to recover from these low producing wells is oil which does not have to be imported from unreliable sources.

The production in barrels from stripper wells represents the total oil produced from all stripper wells during the year. The acres shown are those attributed to these wells, and include acreage within stripper well fields which is no longer productive.

The abandonments are the number of producing oil wells that have been abandoned during the year. Some of these wells may not have been classified as stripper wells, but practically all of them are assumed to be those which could no longer be economically operated under prevailing conditions.

Total production for each state during 1978 was obtained from state agency records or from other sources as indicated on page 5 of this report.

Primary reserves are the estimated additional oil to be recovered by primary means from stripper wells and stripper well fields included in the survey. Secondary reserves are those estimated to be recoverable from the listed stripper wells and stripper well fields by secondary methods of operation. These include: (a) amounts to be recovered from the developed areas of current secondary recovery operations; (b) secondary recovery oil estimated to be produced by expanding the areal extent of current operations; and (c) secondary recovery oil estimated to be produced from fields where secondary recovery operations are not under way, but where conditions are considered to be favorable for successful development of secondary recovery projects.

The estimated secondary recovery production from stripper wells during 1978 and the percent of total stripper well production coming from secondary recovery projects were furnished for 15 states. This information is presented on the following page.

State	Estimated Secondary Oil Produced From Stripper Wells (M Bbls.)	Percent of Total Stripper Production From Secondary
Alabama	10	8.29
Arkansas	2,083	26.86
Colorado	359	17.79
Illinois	13,247	62.60
Indiana	2,134	46.80
Kansas	18,664	41.98
Kentucky	4,006	85.00
Michigan	3,637	64.92
Nebraska	668	32.99
New Mexico	5,618	47.48
New York	725	85.09
Ohio	99	1.27
Oklahoma	45,580	61.45
Pennsylvania	1,081	42.16
West Virginia	456	20.22

STRIPPER WELL DATA - PAST 10 YEARS - UNITED STATES

Year	No. Wells	Production (M Bbls.)	Abandonments	Avg. Daily Prod. per Well
1969	358,650	454,820	15,618	3.47
1970	359,130	441,287	15,631	3.37
1971	353,696	423,322	18,421	3.58
1972	359,471	411,925	13,483	3.13
1973	355,229	385,684	13,756	2.97
1974	366,095	411,936	13,779	3.08
1975	367,872	394,163	13,478	2.93
1976	365,733	392,191	9,916	2.93
1977	368,930	392,532	9,000	2.91
1978	374,635	391,633	8,380	2.86

NATIONAL STRIPPER WELL SURVEY AS OF JANUARY 1, 1979

STATE	NUMBER OF STRIPPER WELLS	PRODUCTION FROM STRIPPER WELLS (Bbls.)	ABANDON-MENTS	AVERAGE DAILY PRODUCTION PER WELL	ACRES
ALABAMA	69	120,659	9	4.79	2,920
ARIZONA	7	4,847	0	1.90	720
ARKANSAS	6,822	7,753,893	42	3.11	115,791
CALIFORNIA	24,198	49,558,153	881	5.61	220,780
COLORADO	1,016	2,018,090	42	5.44	33,640
ILLINOIS	23,622	21,159,697	400	2.45	595,670
INDIANA	5,038	4,559,893	44	2.48	310,250
KANSAS	43,154	44,461,076	559	2.82	1,421,080
KENTUCKY	13,953	4,712,680	252	0.93	279,060
LOUISIANA	13,600	7,916,106	182	1.59	278,480
MICHIGAN	3,331	5,601,892	47	4.61	94,450
MISSISSIPPI	657	1,233,451	173	5.14	29,430
MISSOURI	144	53,300	17	1.01	1,360
MONTANA	1,983	2,804,741	12	3.88	61,100
NEBRASKA	987	2,024,793	59	5.62	52,525
NEW MEXICO	11,401	11,830,847	432	2.84	488,600
NEW YORK	4,700	852,000	352	0.50	25,000
NORTH DAKOTA	741	1,196,454	6	4.40	79,796
OHIO	17,006	7,808,131	171	1.26	274,335
OKLAHOMA	59,971	74,175,420	656	3.39	1,486,660
PENNSYLVANIA	27,768	2,564,485	899	0.25	138,840
SOUTH DAKOTA	11	16,483	2	4.11	4,800
TENNESSEE	265	269,855	13	2.79	4,090
TEXAS	96,713	131,210,862	2,599	3.72	2,669,740
UTAH	95	134,498	54	3.88	14,470
VIRGINIA	5	2,390	0	1.31	255
WEST VIRGINIA	13,925	2,255,200	10	0.44	109,750
WYOMING	3,453	5,333,250	467	4.23	138,120
TOTALS	374,635	391,633,146	8,380	2.86	8,931,712

NATIONAL STRIPPER WELL SURVEY AS OF JANUARY 1, 1979

STATE	TOTAL 1978 PRODUCTION (M Bbls.)	STRIPPER WELL RESERVES Primary	Secondary	Total
		------------Thousands of Barrels------------		
ALABAMA	11,443	263	30	293
ARIZONA	418	20	17	37
ARKANSAS	20,329	96,934	26,760	123,694
CALIFORNIA	347,045	680,800	281,060	961,860
COLORADO	36,797	8,307	8,027	16,334
ILLINOIS	23,362	48,100**	81,900**	130,000**
INDIANA	4,785	19,100**	19,900**	39,000**
KANSAS	56,586	244,580	110,600	355,180
KENTUCKY	5,712	13,328	26,656	39,984
LOUISIANA	458,755*	56,900**	50,600**	107,500**
MICHIGAN	34,667	17,795	18,010	35,805
MISSISSIPPI	39,611	13,850**	3,480**	17,330**
MISSOURI	53	182**	138**	320**
MONTANA	30,467	17,040**	13,940**	30,980**
NEBRASKA	5,862	5,897	4,169	10,066
NEW MEXICO	78,749	93,350**	17,900**	111,250**
NEW YORK	852	496	8,500	8,996
NORTH DAKOTA	24,811	12,480***	29,120***	41,600***
OHIO	11,154	89,081	2,755	91,836
OKLAHOMA	146,182	258,290	377,478	635,768
PENNSYLVANIA	2,564	16,885	31,271	48,156
SOUTH DAKOTA	869	154**	0	154**
TENNESSEE	593	480**	60**	540**
TEXAS	1,040,966	1,086,750**	889,150**	1,975,900**
UTAH	31,368	1,428**	1,372**	2,800
VIRGINIA	2	17	0	17
WEST VIRGINIA	2,278	23,560	35,340	58,900
WYOMING	135,794	86,580**	69,020**	155,600**
TOTALS	2,552,074	2,892,647	2,107,253	4,999,900

* Production from source other than state agency.

** Estimated. (No estimate furnished.)

*** Estimates supplied were changed.

COMPARATIVE NUMBER OF STRIPPER WELLS AND STRIPPER WELL PRODUCTION

	1975		1976	
STATE	NUMBER OF STRIPPER WELLS	PRODUCTION FROM STRIPPER WELLS (Bbls.)	NUMBER OF STRIPPER WELLS	PRODUCTION FROM STRIPPER WELLS (Bbls.)
ALABAMA	75	116,745	71	162,399
ARIZONA	6	5,250	7	5,723
ARKANSAS	6,100	5,043,651	6,025	5,198,866
CALIFORNIA	32,124	60,574,174	29,983	52,245,703
COLORADO	881	1,953,356	942	2,012,511
ILLINOIS	23,222	25,214,700	23,275	24,936,200
INDIANA	4,654	4,031,667	4,853	4,470,827
KANSAS	40,597	43,706,695	41,764	44,433,009
KENTUCKY	13,690	6,182,821	13,817	6,172,764
LOUISIANA	12,723	7,574,198	13,185	8,176,023
MICHIGAN	3,330	4,760,253	3,260	4,601,776
MISSISSIPPI	310	648,847	617	1,214,582
MISSOURI	163	56,974	173	60,295
MONTANA	1,873	3,578,719	1,918	2,947,320
NEBRASKA	638	1,545,430	812	1,757,960
NEW MEXICO	10,474	11,082,540	10,544	11,141,135
NEW YORK	5,231	875,000	4,916	857,000
NORTH DAKOTA	569	929,658	655	1,075,074
OHIO	15,482	6,704,637	15,586	6,996,117
OKLAHOMA	58,736	72,530,579	53,357	73,459,288
PENNSYLVANIA	31,661	3,199,000	31,274	2,950,000
SOUTH DAKOTA	9	17,950	10	20,516
TENNESSEE	133	125,613	159	140,436
TEXAS	89,027	126,018,341	91,409	129,699,764
UTAH	48	98,175	77	261,823
VIRGINIA	7	3,002	7	2,696
WEST VIRGINIA	13,680	2,478,000	13,800	2,400,000
WYOMING	2,629	5,106,966	3,148	4,790,719
TOTALS	367,872	394,162,941	365,733	392,190,526

COMPARATIVE NUMBER OF STRIPPER WELLS AND STRIPPER WELL PRODUCTION

	1977		1978	
STATE	NUMBER NUMBER OF STRIPPER WELLS	PRODUCTION FROM STRIPPER WELLS (Bbls.)	NUMBER OF STRIPPER WELLS	PRODUCTION FROM STRIPPER WELLS (Bbls.)
ALABAMA	78	139,210	69	120,659
ARIZONA	7	6,709	7	4,847
ARKANSAS	6,736	6,171,489	6,822	7,733,893
CALIFORNIA	28,328	51,409,560	24,198	49,558,133
COLORADO	990	2,017,045	1,016	2,018,090
ILLINOIS	23,499	23,614,200	23,622	21,159,897
INDIANA	5,056	5,255,264	5,038	4,559,893
KANSAS	42,273	44,189,776	43,154	44,461,076
KENTUCKY	14,046	5,420,819	13,953	4,712,680
LOUISIANA	13,189	7,739,310	13,600	7,916,106
MICHIGAN	3,276	6,233,004	3,331	5,601,992
MISSISSIPPI	654	1,349,305	657	1,233,451
MISSOURI	161	59,535	144	53,300
MONTANA	1,965	3,255,272	1,983	2,804,741
NEBRASKA	919	2,012,309	987	2,024,793
NEW MEXICO	10,956	11,547,173	11,401	11,830,847
NEW YORK	4,913	813,000	4,700	852,000
NORTH DAKOTA	687	1,165,839	741	1,196,456
OHIO	16,122	7,251,183	17,006	7,808,131
OKLAHOMA	56,239	74,400,427	59,971	74,175,420
PENNSYLVANIA	28,400	2,659,414	27,768	2,364,485
SOUTH DAKOTA	16	14,520	11	16,483
TENNESSEE	213	194,087	265	269,855
TEXAS	92,887	127,886,421	96,713	131,210,862
UTAH	74	136,368	95	134,498
VIRGINIA	4	1,742	5	2,390
WEST VIRGINIA	13,875	2,384,000	13,925	2,255,930
WYOMING	3,387	5,224,744	3,453	5,333,250
TOTALS	368,930	392,531,945	374,635	391,633,146

ACKNOWLEDGMENTS

This project is made possible through cooperative efforts of the Interstate Oil Compact Commission and the National Stripper Well Association. Working through these organizations, many people have assisted in compiling information for this survey and special acknowledgment is made to the following:

Alabama	Ken P. Hanby, State Oil and Gas Board University
Arizona	W. E. Allen, Oil and Gas Conservation Commission, Phoenix
Arkansas	Lynn J. Fite, Oil and Gas Commission, El Dorado
California	Independent Oil Producers' Agency, Los Angeles
Colorado	James A. McKee, Oil and Gas Conservation Commission, Denver
Illinois	Jacob Van Den Berg, Geological Survey, Urbana
Indiana	Homer R. Brown, Department of Natural Resources, Indianapolis
Kansas	Petroleum Information Corp., Tulsa, Oklahoma
Kentucky	Henry M. Morgan, Department of Mines and Minerals, Lexington
Louisiana	J. W. Hecker, Office of Conservation, Baton Rouge
Michigan	James S. Lorenz, Geological Survey, Lansing
Mississippi	Stanley King, State Oil and Gas Board, Jackson

Missouri	**Jack S. Wells, Division of Geological Survey, Rolla**
Montana	**Judson D. Sweet, Board of Oil and Gas Conservation, Billings**
Nebraska	**Paul H. Roberts, Oil and Gas Conservation Commission, Sidney**
New Mexico	**Daniel S. Nutter, Oil Conservation Division, Santa Fe**
New York	**Stanley F. Kiersznowski, Department of Environmental Conservation, Albany**
North Dakota	**C. B. Folsom, Jr., Geological Survey, Grand Forks**
Ohio	**Theodore A. DeBrosse, Department of Natural Resources, Columbus**
Oklahoma	**Petroleum Information Corp., Tulsa**
Pennsylvania	**Robert G. Piotrowski, Bureau of Topographic and Geologic Survey, Pittsburgh**
South Dakota	**F. V. Steece, Geological Survey, Rapid City**
Tennessee	**Robert E. Hershey, Department of Conservation, Nashville**
Texas	**Petroleum Information Corp., Houston**
Utah	**Cleon B. Feight, Division of Oil, Gas and Mining, Salt Lake City**
Virginia	**William W. Kelly, Jr., Division of Mines and Quarries, Big Stone Gap**
West Virginia	**Douglas G. Patchen, Geological and Economic Survey, Morgantown**
Wyoming	**T. L. McCall, Oil and Gas Conservation Commission, Casper**

The work and surveys of the National Stripper Well Association are made possible by the contributions of oil companies, supply and service firms and the following oil trade associations:

American Petroleum Institute

Association of Oilwell Servicing Contractors

California Stripper Well Association

Eastern Kansas Oil and Gas Association

Eastern Oklahoma Oil Producers and Royalty Owners Association

Illinois Oil and Gas Association

Independent Oil and Gas Association of West Virginia

Independent Oil Producers' Agency

Independent Oil Producers, Tri-State, Inc.

Independent Petroleum Association of America

Independent Petroleum Association of Mountain States

Kansas Independent Oil and Gas Association

Kentucky Oil and Gas Association

Louisiana Association of Independent Producers and Royalty Owners

Michigan Oil and Gas Association

New Mexico Oil and Gas Association

New York State Oil Producers Association

North Texas Oil and Gas Association

Ohio Oil and Gas Association

Oklahoma Independent Petroleum Association

Panhandle Producers and Royalty Owners Association

Pennsylvania Grade Crude Oil Association

Pennsylvania Oil, Gas and Minerals Association

Permian Basin Petroleum Association

Rocky Mountain Oil and Gas Association

Texas Independent Producers and Royalty Owners Association

West Central Texas Oil and Gas Association

STATEMENT OF HON. CLYDE W. ROBBINS, ILLINOIS STATE REPRESENTATIVE, 54TH DISTRICT

Mr. **Robbins.** Mr. Chairman, members of the Senate Finance Committee, Senators, ladies and gentlemen, my name is Clyde Robbins, Illinois State representative, 54th District. I'm appearing here on behalf of the landowners of southern Illinois on the subject of the windfall profit tax on oil. Most, if not all, of the landowners of southern Illinois presumed that the windfall profit tax would be just that, a tax on the profits of large oil companies.

Instead the landowner bears the brunt of this tax. The landowner is taxed at the highest rates applicable according to their tier with no deduction or exemption. Major oil companies have the exemption of terce or third recovery that they can establish a windfall profit tax fund and pay no tax at all.

The landowner or royalty owner has to be out the most. They must put up with the wells, the lease roads, the pipelines, the rod lines, and the extensive salt water damage. This damage can be very costly. Sometimes it takes 20 years or longer to return a piece of land to farm production after a salt spill and the process is costly with only partial success. It takes about $1,500 per acre for the average cost of reclamation.

When oil drilling in our area of Illinois began in 1938, land was selling for $10 per acre. Land today will bring $2,000 per acre. In 1938, oil in our area sold for $2.10 per barrel. Using the same value per inflation, oil should be worth $42 per barrel to break even.

The increase in the value of oil has made it possible to produce stripper wells in our area and expand water floods that were not being produced. Also, some new leasing had been done, but as the people see the results of the windfall profit tax on oil, the leases have dried up. The farmer cannot afford to lease valuable farmland to be developed if the Government gets the most of the money and the farmer gets the land damage and nothing in return.

A man that worked and saved and bought a little royalty interest is being eaten up. About all of these were to be used for planned retirement. The tax on these people, people in their sixties, seventies, and eighties, are causing hardships that you had not thought would exist.

I have asked people to send me copies of their oil stubs. In the past 2 weeks, I have received over 1,500 of these stubs and they are still coming in at the rate of over 100 per day. I will present to you the stubs that I have processed and the letters that came with them for you to read into the record at your convenience.

This is one of the letters:

> Dear Mr. Robbins: We hope you can help reverse this thing the government is doing with our oil checks. We need it so badly with our mounting doctor bills. My wife has been unable to work for 3 years, due to a heart problem. She has to work for us to try to make ends meet. My mother died in May of 1979, leaving this oil interest to me. We were hoping for it to relieve the great pressure of doctor and medicine bills. We feel it is wrong to take our money and give it to people who won't work or even try to do right. We need help badly. Sincerely, signed Stanley R. Schroeder.

Most of the check stubs that you will look at are $200 or less. I want the Senators and Congressmen to know the amount of money that they are stealing from the people.

pages tightly bound

The royalty owners and override owners are crying for relief. Must e Government continue to confiscate this money from the small landwner and royalty owner to place in its give-away programs and pay e cost of a do-nothing energy program with these dollars?

The people are at the point of tax rebellion now and the tempers our area are quite hot. We must be honest and fair with our people. lmost all of the oil production in southern Illinois is stripper wells less than 10 barrels. Give them the 10 barrels per day exemption, y at least to be fair.

Pass this bill, give the people what is rightfully theirs. They must y State income tax, county oil tax, Federal income tax, and land x. After paying all this tax and other land costs, the windfall profit x should be renamed the "Landowners Loss Tax."

Thank you for your time. The people of Illinois will be expecting favorable report.

Senator **Boren**. Representative Robbins, I have certainly appreated your testimony and we already have one of the Illinois Senators sponsoring, Senator Percy. Now, you must have been effective beause he's now added his name to the bill. We hope you get the other ne to join him. Turn your attention to him. We certainly appreciate e statement you've made.

As you say, when you get through paying one tax on top of another, e windfall on top of the property tax on top of the income tax, ere's nothing left. One of the unique features of the windfall bill hen it was introduced is they had one provision saying they could ot take more than 100 percent of your total income. They were going have to stop when they got it all, in other words. It was almost nbelievable. I want you to know before we got finished they decided compromise. They agreed to take only 90 percent of what you had, ut it really is a serious problem and you've expressed it very well ecause the only one that's going to get a windfall, it's now obvious, ut of decontrolled oil prices is the Government. They are the only ones hat are going to reap a windfall out of what's going on. I think that's real tragedy. The people want more energy, they want us to quit eing dependent on overseas sources and all the people are going to et as a result of that kind of energy crisis is more government, more ureaucracy and more welfare programs. As I said, they ought to put sign, I think, on all the gas pumps in the country so when a motorist tops to buy gasoline they have all the facts. They ought to say conratulations, you just paid $1 more a gallon for gasoline. We want ou to know that thanks to your Congressmen and Senators, 90 cents ut of that dollar, at least, is going to go to some unit of government n the form of higher taxes and only 10 cents, if we're lucky, will go produce more energy. I think they ought to list the names of the ongressmen and Senators who voted for it so the people know who o find.

We appreciate your testimony and we're particularly happy to see his activity in the State of Illinois.

Mr. **Robbins** In my district there are 13 counties. The estinate made by the bankers is that the windfall profit tax is removng $10 million a month from these counties which could be used for ther things. This is not part of my written statement.

Senator DOLE. Clyde, I think you should be commended. How long did it take you to get out here?

Mr. ROBBINS. I left session yesterday afternoon at 4. I stopped by home and picked up my brother and we drove all night. I got here at noon today.

Senator DOLE. Thank you. If anybody has any relatives in that area, they might write to them because that's a commitment to drive all night to indicate his concern for the problem affecting his district.

Our next witness is Peggy Arensman. Peggy, I'll let you explain your organization because it's a very effective group, called WIFE.

STATEMENT OF PEGGY ARENSMAN, WOMEN INVOLVED IN FARM ECONOMICS

Mrs. ARENSMAN. Thank you. I have people who ask me if I'm bragging if I'm married, and actually I am, but we are a group of farm women. Women Involved in Farm Economics, and we're mainly a lobbying group and a self-education group.

My name is Peggy Arensman. I am the Kansas president of Women Involved in Farm Economics, commonly called WIFE. My husband and I are a wheat, alfalfa, and cattle farm close to Kinsley, Kans. You will note that I wear red. This is to denote that I am producing in the red. It isn't funny, folks.

Farmers have been locked into a large financial loss for years now. Some of us thought that we might feed our children from our oil checks.

When we purchased our land, our abstracts read that we had obtained the mineral rights. We had paid for them. But with just the signature of the President and the vote of our Congressmen and Senators, our paid representatives, once again, we lost what we paid for and needed for the support of our children. The windfall profit tax was nothing more than legal robbery. Every business and industry has a budget, and if hard pressed are forced to curtail their spending until they work themselves out of their difficulties. This is exactly what our Federal Government must do. Not levy more taxes upon the citizens. When all forms of taxes are added up, a family of four making $20,000 now pays 47 percent of his income in taxes. This is exclusive of the windfall profit tax.

The most basic needs of life are air, water, and food. The production of food in the quantities we have become accustomed to is dependent upon our oil supply. We in the food industry are most dependent upon our independent drillers, for they furnish 90 percent of our country's domestic industry.

When Carter was running for the Presidency in 1976, he promised us no increase in taxes. What did we get? The greatest increase ever levied, the windfall profit tax—$229 billion worth of taxes in 10 years. With the cheap food policy, this adds injury to insult for us farmers.

Much governing the industry just does not make sense for a strong America or a strong oil industry. When policy is made for our Nation, our Government must put America first. For the most part, if policy benefits private business, it benefits America. Healthy business helps strengthen America. For instance, profits for independent producers are plowed back into wells which produce more domestic oil. This generates new jobs, new taxes, and keeps the full monetary amount in this country.

Windfall profit taxes are on domestic oil, not foreign oil. Therefore, it works backward by making foreign producers have a competitive edge over domestic producers.

Our double price standard for oil, domestic and foreign, should be reversed so that foreign oil gets the smaller price. This would benefit so many Americans. America can only help the rest of the world by keeping itself strong.

Our operation had been receiving $800 to $900 a month oil checks. This last check was in the $300 range. This was the only way we thought we might provide for our children, as our farm enterprise has had such large loss. Now, this too had been legally stolen from us.

The United States is sending the private producers the message, your investment, your management ability, and your labor are worth nothing. This is a dangerous message. Our country was built on the independent competitive businessman.

Senator Dole and Senator Boren, we need your help in repealing the windfall profit tax for the benefit of all of us.

I thank you for the opportunity of testifying before you today.

Senator Boren. I'm glad to have heard your testimony, and I think you hit on a couple of points that certainly are important. To start out, this kind of a situation, this is the first time in the history that they've ever led to a windfall profit tax when someone is not making a profit. I think that's the start of it. The word profit only appeared in the title of that bill. It didn't appear anywhere else in the bill.

As we well know, it's not a tax on profit, it's an excise tax. As you pointed out, we have it all in reverse. If we want to produce more energy here at home and consume less energy from overseas, why is it that we discourage production here by a tax and literally encourage the companies in the oil operations overseas where they're not taxed?

I had a leading Japanese banker—and they understand economics pretty well—he said I thought you people wanted to produce more energy at home and consume less from overseas. I said that's right. He said I'm very puzzled. You say that we orientals are inscrutable. I think you're inscrutable. If you want to produce more at home and consume less from abroad, why do you tax your production at home and indirectly subsidize your consumption from overseas. I couldn't answer that.

But, we have to do something, which you put your finger on, and that is for the first time in the history of the world, we can look at the history of any country. We have countries before that have had tariffs, that have paid their own people more to produce something than we paid people in other countries. They protected their domestic interest. But never in the history of the world has any country had a policy that paid people more in another country to produce a product than we paid our own people, and we've managed to make economic history by doing this and that's exactly what we're doing.

Mrs. Arensman. That's why we're called dumb Americans.

Senator Boren. Thank you.

Senator Dole. Peggy, I appreciate your testimony very much. It's straight out, to the point.

Mrs. Ahrensman. Thank you, sir.

Senator Dole. No punches pulled and hopefully that is the kind of testimony that will encourage my colleagues and help them understand this problem.

Again, I think we have to keep pointing out the facts. I do not suggest it was the media's fault, but I would guess that 90 percent of the network news on the windfall profit tax portrayed the tax as a tax on big oil. One heard at morning, at noon, and at night about how we were going to tax big oil. There was a feeling in the Congress—we watch the news programs too—that only big oil was affected by the tax. I think that you have indicated through your statement that there are a lot of people, average Americans, who are working and trying to educate their children, and who are now losing 35 percent of their income. These people have literally had a property right taken away from them without even a hearing. I do not remember any royalty owners appearing before the committee. We did not think we were going to tax most royalty owners when it left the Senate. Senator Boren was opposed to that. I was opposed to that. Most Senators were opposed to that, but then they added $50 billion in additional taxes in the conference. I appreciate your testimony and I thank you for coming.

Mrs. Ahrensman. Thank you very much, sir.

Senator Dole. Mr. Frazier, Steve Frazier, the Cowley Landowner Association, represents about 400 landowners.

Mr. Frazier. People.

Senator Dole. People, excuse me.

STATEMENT OF STEPHAN FRAZIER, COWLEY COUNTY LANDOWNERS ASSOCIATION

Mr. Frazier. Thanks for letting me testify before you today. You know, your Eastern colleagues have hit us over the head with a grain embargo and a windfall profit tax, all in the same year. We must be the poor relatives out here.

I am a farmer, live 4 miles north of Winfield. In case you don't know where that is, that's southeast of Wichita about 35 miles. Our operation is primarily wheat and cattle. I've been in agriculture the past 20 years. Prior to that I was an exploration geologist for Standard Oil of California for 14 years. We have a small royalty income.

I speak on behalf of the Cowley County Landowners Association. I am a director of this organization which has approximately 450 members, mostly rural landowners. The purpose of the organization is to promote and protect landowner interests. Several of our members have royalty incomes. Most of these are small. Windfall profit tax adversely affects these people.

In 1977, Cowley County produced over 2 million barrels of oil. This is certainly not Saudi Arabia, but it does help the energy shortage as well as provide jobs and royalty income for many of our residents.

Small independents produce most of this oil. Though I represent the landowners, the producer is equally important because without the producer there is no royalty.

This tax hurts the oil business in our country for the following reasons: The royalty from the royalty owner's standpoint and the royalty owner is generally the landowner, the tax reduced the royalty owner's income by at least 30 percent. I'll read a letter from a lady here in Winfield. This is to whom it may concern. It says in 1922, my father borrowed money to buy a farm. He struggled through the depression years. Fortunately he had a profession to back his farming.

Small oil was discovered on the place, which has been the salvation of the holding. Now my sister-in-law, who is in her eighties, and I, nearing 80, are co-owners. She is in a nursing home in Tulsa, Okla. with terrific expenses. I have been more fortunate in that I am able to care for myself. We are both retired schoolteachers.

Our first check, April, after the windfall profit excise tax, reads something like this: Owner's gross value $404.82, owner's net value $203.83. That means that $140.99 was withheld. Approximately 36 percent. Doesn't this seem out of all proportion for people in our circumstances? And, this is signed, Faith M. Hanna, 1916 Booth Street, Winfield, Kans.

There are a lot of royalty owners in this kind of circumstance. Now, we were speaking about how this hurt the royalty owners. It hurts the energy business. It hurts the oil in Cowley County because the landowner is not as likely to lease because of his reduced income, and he may demand a bigger royalty share and this just means less production. There are just many people who depend on royalty interest for their primary or supplemental income. The producer is also hurt in that it takes funds, a large percentage of which would be used for additional drilling.

I was talking to a small independent the other day and he said the windfall profit tax has taken $5,000 a month from me, and that sounds like a lot of money, but he said that is my drilling money and when the wells in that area are completed at about $100,000, you know that isn't as much money as it sounds like.

This tax will cause a lot of stripper wells to be plugged. You can see attachment four from an independent operator in which he's plugging five wells because of this tax.

There's another factor involved in this. Investors who share the expenses of many wells drilled in the county are not as willing to or won't provide money for drilling. Land is more difficult to lease, and this is another factor which I believe is true. An independent who buys a major oil company's production, generally stripper production, has to pay the windfall profit tax like the major companies. This will cause many wells to be plugged in itself.

From a county standpoint we estimate the tax will take approximately $19 million from the county. Very few of these dollars sent to Washington will come back to our county. Much of this tax money would have been spent on the streets of our town.

And, from the county's standpoint, the windfall profit tax takes a bigger share of the producer's capital. This leaves less to find more oil in other sources of energy. Across the next two decades, we'll have to develop other sources of energy. I think any scientist will tell you that. Who is really better equipped to do this than the people in the energy business in the United States. This takes enormous amounts of capital. This money sent to Washington as an excess profits tax will mostly be used to grease the skids of the bureaucratic runaway that we're experiencing now.

We say let us alone, let free enterprise work. Let supply and demand run its course. Free Americans allowed to make a profit will find our future energy needs.

We all know the Washington bureaucrats can't do as good a job. Free enterprise with operating capital is the bottom line to a good future.

I thank you a lot for letting me testify.

[The attachments to Mr. Frazier's statement follows:]

ATTACHMENT NO. 1

To Whom It May Concern: In 1922 my father borrowed money to buy a farm. He struggled through the depression years—fortunately he had a profession to back his farming.

Small oil was discovered on the place, which has been the salvation of the holding. Now my sister-in-law who is in her eighties, and I, nearing eighty are co-owners. She is in a nursing home in Tulsa, Oklahoma with terrific expenses. I have been more fortunate in that I am still able to care for myself. We are both retired school teachers.

Our first check, April, after the windfall profits excise tax reads something like this: Ow[illegible] gross value, $404.82; owners net value, $263.83. That means that $140.99 was with held. Approximately 36 percent. Doesn't this seem out of all proportion for people in our circumstances?

FAITH M. HANNA.
(Mrs. Robert J.).

ATTACHMENT NO. 2

MRS. FREIDA M. BREWER,
Winfield, Kans.

Amount earned per month:

December	$60
January	60
February	60
March	60

Less Windfall Profits Tax=39.60.

Earnings used to pay utilities.

Windfall Profits Tax took 20.40 away. She had to take money from her Southwestern Bell pension to pay the utility bill.

This information is witnessed for Mrs. F. M. Brewer by her son, H. J. Brewer, Jr., 321 West 9th, Winfield, Kansas 67156.

witness.

ATTACHMENT NO. 3

WINFIELD, KANS., *May 21, 1980.*

JOHN H. NATION,
Petroleum Enterprises,
Winfield, Kans.

DEAR MR. NATION: I have reviewed your proposal to lease some of the property that I own. Due to the fact that the last payment that I received for the royalty interest was cut so drastically by the Windfall Profits Tax, I am not interested in leasing any land at this time. I wish to thank you for your consideration in this proposal.

Sincerely,

KENNETH WAITE.

ATTACHMENT No. 4

CAMBRIDGE, KANS., *May 21, 1980.*

JOHN H. NATION,
Petroleum Enterprises,
Winfield, Kans.

DEAR MR. NATION: I have reviewed your proposal to lease some of the property that I own. Due to the fact that the last payment that I received for the royalty interest was cut so drastically by the Windfall Profits Tax, I am not interested in leasing any land at this time. I wish to thank you for your consideration in this proposal.

Sincerely,

RICHARD BEAMER.

WINFIELD, KANS., *May 21, 1980.*

JOHN H. NATION,
Petroleum Enterprises,
Winfield, Kans.

DEAR MR. NATION: I have reviewed your proposal to lease some of the property that I own. Due to the fact that the last payment that I received for the royalty interest was cut so drastically by the Windfall Profits Tax, I am not interested in leasing any land at this time. I wish to thank you for your consideration in this proposal.

Sincerely,

DANIEL SMITH.

WINFIELD, KANS., *May 21, 1980.*

JOHN H. NATION,
Petroleum Enterprises,
Winfield, Kans.

DEAR MR. NATION: I have reviewed your proposal to lease some of the property that I own. Due to the fact that the last payment that I received for the royalty interest was cut so drastically by the Windfall Profits Tax, I am not interested in leasing any land at this time. I wish to thank you for your consideration in this proposal.

Sincerely,

BOYD WAITE.

ATTACHMENT No. 5

CAMBRIDGE, KANS., *May 21, 1980.*

JOHN H. NATION,
Petroleum Enterprises,
Winfield, Kans.

DEAR MR. NATION: I have reviewed your proposal to lease some of the property that I own. Due to the fact that the last payment that I received for the royalty interest was cut so drastically by the Windfall Profits Tax, I am not interested in leasing any land at this time. I wish to thank you for your consideration in this proposal.

Sincerely,

FORREST BEAMER.

ATTACHMENT No. 6

PETROLEUM ENTERPRISES,
Winfield, Kans., May 22, 1980.

Mr. STEVEN FRAZIER,
Winfield, Kans.

DEAR MR. FRAZIER: Confirming our conversation, I submit the following.

Due to the reduction in income caused by the Windfall Profits Tax on our marginal wells, Petroleum Enterprises is reviewing the cost for operation of their various leases.

At the present time, the following wells or leases are to be sold or pulled and plugged.

Holman Well #1—Southwest quarter section 19, township 33, range 3 east, Cowley County, Kansas.

Denton Well #1—Southwest, southwest section 3, township 31, range 8 east, Elk County, Kansas.

Pickell Well #2—Section 30, township 30, range 11 east, Elk County, Kansas.

Pickell Well #7—Northwest quarter, southeast quarter, southwest quarter, section 30, township 30, range 11 east, Elk County, Kansas.

Murray Well #2—Northwest quarter, section 27, township 34, range 11 east, Chautauqua County, Kansas.

Upon completion of our survey, there is no doubt that more wells will become uneconomical and will require plugging.

Sincerely,

JOHN H. NATION.

Senator DOLE. The letters that you attached have all been made a part of the record. I think there is one in particular that really tells the whole story. This letter tells about a lady who is receiving $60 a month in oil royalties and she used these earnings to pay her utilities. The windfall profit tax now takes away about $20 and that leaves only $40, so she now has to take money from her Southwestern Bell pension to pay the utility bill.

Mr. FRAZIER. That's right.

Senator DOLE. I think this is another indication of what the Congress has done, perhaps unintended and without understanding the full impact. I have had a chance to leaf through their letters. It's been indicated that in some of the mail I have received, that landowners do not intend to lease any land until this tax expires. That same view was expressed this morning in Oklahoma.

Senator BOREN. That's right. It was. There were several people who said we just are not going to lease any more.

Mr. FRAZIER. This is true in our county. We know this to be a fact. People that would lease, you know, it's interesting in the United States, our position in the Middle East as we all know is quite critical at this time, and we have got to have energy here and oil is the only source right now, and if we don't have some help along the road to develop other sources, we're going to be in bad shape. In fact, we may have to go back to the trees, I don't know.

Senator DOLE. Thank you very much. Do you have copies of his statement? Thank you.

Orville Huss, I might, while Orville is coming to the witness table, introduce my wife, Elizabeth, who has been out here for 3 days traveling around Kansas. Elizabeth, you want to stand up?

And I think the record should show before anybody concludes that this is some selfish hearing, that neither Senator Boren nor Senator Dole have any royalty income. We don't have any interest or any oil so let the record show we're not here trying to promote something that will benefit us.

STATEMENT OF ORVILLE HUSS, EXECUTIVE VICE PRESIDENT, GREAT BEND CHAMBER OF COMMERCE, GREAT BEND, KANS.

Mr. HUSS. My name is Orville Huss and I'm the executive vice president of the Great Bend Chamber of Commerce.

The windfall profit tax is the most massive and complex tax ever imposed on an industry in the history of our Nation.

The impact of this tax is also massive to Kansas and to Barton County, one of the top oil-producing counties in Kansas.

The 180,000 barrels of oil produced per day in Kansas will pay approximately $800 million a year in this new unfair tax. This $800 million per year would revolve five times in the spending cycle, so the real impact is $4 billion of added value dollars lost to Kansas.

The farmer, with troubles enough, now will pay windfall profit tax and reduce his royalty check. The oil producer will have less money for new exploration, and the major oil companies will pass the tax on to the consumer so that everyone will pay a part of this new unfair tax.

Next to agriculture, the petroleum industry is one of the largest employers in the private sector in Kansas.

The ripple effect of the windfall profit tax on the overall State economy will be great, over $2 million per day in the State of Kansas.

We firmly believe that the windfall profit tax is unfair to the petroleum industry and to every American. Thank you.

Senator **Dole**. Thank you, Orville. I think you've touched on a good point—that is the amount of money which is being moved out of Barton County and any other counties that we have production. It's going to be gone forever, money that would have been spent up and down Main Street in Great Bend, Kans., or Russell, Kans.—money that would have put people to work will be gone. I think that's a point Senator Boren made. I wish you would repeat the figures for Oklahoma because Kansas does not have quite as many wells. They have about two or three times the number of wells, but we have about the same ratio.

Senator **Boren**. We had testimony, this morning, we talked about $800 million, it would be about $2 billion a year. Of course, as someone indicated in one of the letters we had just a minute ago, we're taking it away from people who can't afford to give it up, then I guess we're going to have to pay Government aid to some of the people who are going to have these checks taken away from them, then they're going to have these checks taken away from them, then they're going to have to turn to the Government to pay the nursing home bills or something else, as one of these letters indicated.

It kind of reminds me, Bob, of the story of the little boy that we're heard so many times. You remember, he wrote a letter to Santa Claus and said, Santa, please send me $10. It was delivered to the President in Washington. He said he couldn't afford to send the boy $10, but he sent the little boy a dollar. The little boy wrote back again and said, Dear Santa, thanks for sending me the $10, but next time don't send it through Washington.

It's a tragic mistake, it's a tragic mistake because we're setting the stage and I think your statement indicated, and others have indicated, and I don't think we should fool ourselves about this. We all know that it takes capital to produce income, whether we're talking about drilling an oil well, or a gas well, or opening a coal mine, or building a solar cell. It takes capital; it takes investment; it takes money, you can't do it for free. Now, if we drain off all the available money in this country for this tax, $227 billion in windfall on top of an estimated $67 billion additional income taxes as a result of oil decontrol, that's almost $1 trillion.

If we drained that off from the free enterprise sector and put that in the hands of the Government, what we're saying is that free enterprise will no longer have the capital necessary to do the job. The only place people can turn is to the Government to try to do something about the profit. It's a tragic and dangerous precedent, just like we're talking here of 70 percent tax on property because all we're doing is setting precedents for an end to our free economic system in our country if we allow it to happen in this critical sector of our economy, and I think you've helped us put our finger on that.

Senator Dole. I might say to the people standing, there are a few seats in the upper balcony and to my left if you would like to sit down.

I think another frustration is that tax is seeming wasted. I am not trying to find horrible examples, but I read in the Washington, D.C. paper yesterday, that during an investigation of one of the CETA job programs they found out some of the CETA money has been spent on happy hour training. They actually had training programs to tell people how to behave themselves during the cocktail hour. Now, that may not be the proper expenditure of your funds. I certainly don't think so. This clearly is another factor that irritates people in the audience who have to pay 36 percent of their taxes.

Next, Doug McClure. Doug is with Paulsen & McClure of St. John, Kans. I might say to any witness that their entire statement will be made a part of the record. For those who might have a written statement that would like to make it part of the record, we have a table on my left and would be happy to receive that statement. Go ahead.

STATEMENT OF DOUGLAS L. McCLURE, PAULSEN & McCLURE, ST. JOHN, KANS.

Mr. McClure. Senator Boren, members of the Senate Finance Committee, I wish to express my appreciation for the opportunity to present testimony concerning Senate bill 2521. My name is Douglas L. McClure of the law firm of Paulsen & McClure, St. John, Kans. I come before you today representing several of our clients who have royalty interests in oil production.

Let me begin my comments by stating it was a shock for all of our clients who receive oil royalty checks to discover that they are now classified and treated the same as if they were a large multinational oil conglomerate. When the March checks came in these royalty owners contacted our office wanting us to clear up the obvious mistake which resulted in their reduced oil royalty check. They were extremely surprised that they were now being asked to pay this tax. Their surprise arose from the fact that the President of the United States had stated that he was going after the big oil companies and these big oil companies would shoulder the burden of paying the tax. Clearly a majority of the royalty owners did not understand the scope or breadth of the coverage of the windfall profit tax.

The inequity of taxing small royalty owners at the same rate as big oil companies should be readily apparent. Perhaps some examples of how the windfall profit tax will work a hardship on the small royalty owner would be helpful. Our office serves as conservator for several older retired persons. These persons are not capable of managing their own affairs so the court appoints a conservator to receive income and pay expenses.

Our office serves as court appointed conservator for a person I will call Miss G, a 56-year-old woman. Her total actual 1979 income was $16,770.23. And, if you have a copy of my statement, I refer you to exhibit No. 1 on the last page where I have noted her income and expenses. Included in this total was the sale of 3 years of wheat and 4 years of milo. Her expenses totaled $10,276.77, giving her a $6,493.46 surplus of income over expenses for the year. For 1980, her royalty check will drop by at least $3,622.00 or 35 percent due to the application of the windfall profit tax. She will only have one crop of wheat and milo to sell so her projected 1980 income will drop by over $7,657.00 to $9,113. This drop in income will come at a time of high inflation and increased cost for her personal care. In July of 1979, Miss G's expenses for staying in a rest home increased from $525 per month to $950 per month overnight. This will increase her expenses by almost $3,000. In 1980, I project that Miss G's income will fall $3,947 short of her expenses. Clearly Miss G does not receive any windfall from her oil royalty; in fact, it appears that assets will have to be sold in order to pay Miss G's living expenses associated with her care provided by the rest home.

Mr. H is a retired farmer who is over 80 years old. During his productive years he was a very frugal businessman who saved for his retirement. He too is a resident of a rest home. Mr. H's 1979 income totaled $11,580 and his expenses were $10,438, giving him a surplus of $1,142. In 1980, I project his royalty income will decrease from $2,387 to $1,552 and his income will exceed expenses by only $307.

These projections for Miss G and Mr. H assume that their oil production will not decrease this year, which is unrealistic because stripper production in Kansas is declining. The projections do not reflect the depressed wheat market which has dropped over 50 cents since the Government imposed embargo on shipments to Russia. The projections do not allow for the increasing costs of medical care required by a person who resides in a rest home.

Clearly these persons were not the intended target of the windfall profit tax and yet they are treated the same as the big oil companies who have millions of dollars of assets.

What word do we have for those small farmers who purchased their first tract of land based on the fair market value of the producing oil well located thereon only to see that value drop by 35 percent. What word do we have for those retired persons, many of them farmers, who face ever increasing medical costs and are trying to live out their last days on the income provided by oil royalty from stripper wells. What word do we have for those thousands of small royalty owners who have tied up their life savings in small royalty investments.

Ladies and gentlemen, I submit to you that the word we have to share with these people is this: You can expect further Government interference with your lives by a Government which imposes the largest single tax in our history at a time when tax cuts are desperately needed; you can expect reduced domestic oil production at a time when the Mideast oil cartel has this country by the throat; you can expect increased Federal spending with the accompanying increased regulation at a time when all sectors of the economy are carrying a heavy tax burden and being chocked by Federal regulation.

Certainly Senate bill 2521 would provide much needed relief for those small royalty owners who are currently taxed at a 60-percent rate on the difference between the base price and market price. I believe S. 2521 will help to ease the onerous burden placed on those small royalty owners who are retired and living on a fixed income in a time when the cost of living and the cost of quality medical care is doubling every 6 years. This bill would provide some measure of relief for those farmers who are struggling to survive in the face of depressed farm commodity prices brought on at least in part by a Government imposed grain embargo.

It has been estimated that the Federal Government will collect at least $400 milllion in windfall profit tax within Kansas. This sum is staggering when you consider that this is over one-sixth of the total expenditures for the State of Kansas for fiscal year 1980, and equal to the amount spent for development of oil and/or gas within this State.

The 10-barrel-per-day exemption for small royalty owners contained in Senate bill 2521 certainlv will have minimal impact on the income received by the Federal Government, however, it will go a long way toward the furtherance of justice and equity as far as the small royalty owners are concerned.

Gentlemen, on behalf of my clients, I ask you to wholeheartedly support Senate bill 2521 and work for its early passage. Thank you for this opportunitv.

[The exhibit to Mr. McClure's statement follows:]

EXHIBIT No. 1

	Income	Projected 1980 income
Example No. 1—Mrs. G, a 56-year-old woman:		
Income 1979:		
Oil royalty	$10,349.05	$6,727
Farm:		
3 years wheat	4,042.12	1,347
4 years milo	1,786.06	446
Interest income	593.00	593
Total income	16,779.23	9,113
Expenses 1979:		
Medical[1]	8,616.00	11,400
Taxes and fertilizer	1,025.77	1,025
Administration expense	365.00	635
Total expense	10,276.77	13,060
Income less expenses	6,493.46	−3,947
Example No. 2—Mr. H, 80-year-old retired farmer:		
1979 income:		
Oil royalty	2,387.00	1,552
Farm	2,489.00	2,489
Interest	6,704.00	6,704
Total income	11,580.00	10,745
1979 expenses:		
Medical	8,835.00	8,835
Taxes and fertilizer	679.00	679
Administration expense	924.00	924
Total expense	10,438.00	10,438
Income less expense	1,142.00	307

[1] Rest home room increased from $525 per month in July 1979 to $950 per month in August 1979.

Senator Boren. I want to thank you for a very good statement, and the specifics that you get into are these two case studies, and I think they are very very valuable, I believe, to us in the record, and some examples that I certainly want to call to the attention of our colleagues as Senator Dole and I go around and talk to the members of the committee individually. They will be very helpful and we appreciate the time you spent putting this together.

Senator Dole. I think it's an excellent statement and the kind of testimony we need to persuade our colleagues that everybody in the oil business is not wealthy, with a yacht and Cadillac and four or five summer homes. We appreciate it very much.

The next witness is Duane Chrisler from Winfield. I might say while Duane is coming up, that I do not see these two gentlemen on the witness list, but they are a couple of men I know very well, Norman Brandeberry and Cliff Holland from Russell, Kans., and they did come to Washington a number of times. They joined the people of Oklahoma, I might add, Bud Stewart, and others, in a last-ditch effort to defeat the windfall profit tax. They were not successful. Anyway, I think I should recognize that there have been a number of Kansans alerted to the problem before the bill finally passed. Duane.

STATEMENT OF DUANE CHRISLER, WINFIELD, KANS.

Mr. Chrisler. Senator Dole and Senator Boren, I appreciate the opportunity to testify here today. I am a Cowley County, Kans., farmer-rancher and royalty owner. There are four stripper wells producing on my land at this time.

Cowley County has had some oil production for many years but had not been extensively developed until the energy shortage developed and oil prices increased to the point where it became economically feasible. With higher prices came more drilling rigs and opportunities to lease land for oil. Most of these new wells become stripper within a few months to 1 year after they are drilled. In spite of this, they collectively make a significant contribution to the supply of energy

Land prices in this county have long been higher because of the possibility that oil might be found. When I bought my land I paid more than might have been justified for farming or pasture purposes alone. Therefore, I maintain that I have an investment in the oil rights that I should be permitted to recover and to receive a return on. Windfall profit tax has been deducted from my last oil checks amounting to about one-third of the total. At a time when a Government embargo on exports has reduced prices about 50 or 60 cents per bushel, I was counting on what oil income I had to keep the farm business in operation. Then the windfall profit tax was enacted and knocked a big hole in that. In my opinion, this amounts to confiscation of one-third of my royalty by the Government. I think this is the most socialistic thing that has ever happened in the United States. It is also unfair that royalty owners should be paid more than the producers.

Another effect of the windfall profit tax will be to reduce the property tax base for local units of Government. I visited with my county appraiser yesterday and found that the valuation placed on oil will be reduced in proportion to the windfall tax. I am a member of my local board of education. We have been able to meet a lot of the increasing costs of education through increases in valuation rather than making drastic increases in the mill levy.

The actual value of land offered for sale has already been demonstrated to be lowered by the imposition of the windfall profit tax in our area.

The President has told the American people that the windfall profit tax is taking money from the huge oil companies who are making enormous profits to do all kinds of good things. Actually royalty owners and independent producers are paying a great amount of tax.

I see several things happening as a result of this. I know of several instances in my county where landowners have refused to lease their land since this went into effect. I fear that producers will abandon some small strippers and that some new wells might be plugged which could produce some oil. We must all work together to produce all the oil we can here to reduce dependence on foreign oil.

My parents, who are in their middle seventies, still operate their farm in Ellis County. They have some farm income, some social security, and have a very small stripper oilwell on their land; the income from which goes to reduce the mortgage on the land. They are certainly not oil profiteers.

I feel that there are great inequities and discrimination in the windfall profit tax. I will wholeheartedly support your efforts to correct these problems. I also think that oil producers must be treated fairly or development of new production will also slow down or cease. Thank you.

Senator Boren. Thank you very much, your statement was very helpful.

Senator Dole. I was trying to get the applicable percentage of the amount paid by independents and royalty owners. I believe that royalty owners and independent producers pay a good chunk of the $227 billion to be raised by the windfall tax. We'll furnish the exact amount for the record. Thank you. Irene Shirer.

STATEMENT OF IRENE SHIRER, HOISINGTON, KANS.

Ms. Shirer. Senate Finance Committee, Hon. Senator Robert Dole, Hon. Senator David Boren, this is my statement regarding windfall profit tax on royalty.

My name is Irene Shirer. I am the daughter of Anna Dietz, who is presently residing in the Cherry Village Nursing Home of Great Bend. My mother's health will not allow her to testify. I would like to relate the story of my father and mother, Joe and Anna Dietz.

As a boy of 8 years old, Joe Dietz left home and made his way in the world. From that time until his death, dad worked as a laborer and tenant farmer, until 30 years old, when he and mother married. He continued as a tenant farmer and later he and mom were able to buy 320 acres of land in the Cheyenne Bottoms, which they finally paid off during World War II.

In 1946, dad suffered a coronary and had to retire from farming, which did not allow time to accumulate any wealth. The farm was rented. As you know, one-third of the crop after taxes et cetera, does not leave much to subsist on.

Dad died in 1964, leaving the farm to mom. Shortly after his death, she was fortunate in having two oil wells drilled on the farm, both of which are strippers, producing very little oil.

The oil check and farm rent are mother's only means of support. Now the Government takes 60 percent of everything over $16 per barrel of her oil and calls it a windfall profit.

If all of dad and mom's work to buy the farm and pay for it is a windfall, then I think there is something wrong with the President and most of the Congress of the United States. I do not believe the writers of the Constitution ever envisioned any such confiscation as is being perpetrated by the Carter administration. I thank you for your consideration.

Senator DOLE. Thank you very much, Irene. Again, this testimony is another indication of what a hardship this tax is working on a number of people, particularly people like your mother.

Charlie Steincamp.

STATEMENT OF CHARLES W. STEINCAMP, GREAT BEND, KANS.

Mr. STEINCAMP. Senator Dole and Senator Boren, first I would like to compliment both of you on your intelligence, vision, and statesmanship opposing the windfall profit tax in its inception and right now until we were faced with it.

The windfall profit tax is an excise tax; it's discriminatory, unconstitutional, against majors, independents, royalty owners alike, and is a confiscation of property by the Federal Government.

To quote William Simon, "where there's no economic freedom, there's no political freedom." I'm sad to say we're losing both in this our country.

This is an excise tax that will be paid by the consumer of petroleum products and disguised by the administration as a tax on profits. Not so; this tax has no relationship whatsoever to profits. The royalty owners and independents have no way to pass this tax on. The majors can and should pass it on to the consumer. We're the only ones that can bring the Government the tax it's imposed.

This tax should be repealed in its entirety.

I would like to address the overriding royalty interest along with the landowners' royalty which has been pretty well covered which I thoroughly agree with.

The overriding royalty interest is not a true royalty inasmuch as it is carved out of the working interest—nothing to do with the one-eighth royalty interest. An example is one-thirty-second overriding royalty of seven-eighths working interest, which is over and above the landowner royalty. The overriding royalty should, at worst, be treated at the independent rate if the owner qualifies as such.

The overriding royalty in Kansas and the midcontinent area is usually owned by the independent oil operator, geologist, and petroleum engineer. These are the people that are the oil finders, and most geologists in Kansas, or a great number of them, work for a reduced salary over what their counterparts in a major company receive, but part of their compensation has historically been a retention of overriding royalty. Suddenly, the Federal Government takes away 35, 60, 70 percent of these oil finder's salaries which certainly goes without saying tends to destroy incentive. The Government has already done enough to destroy incentive by the stretch of income tax, regulations, and so forth.

I believe the windfall profit tax should be repealed. I thank you for the opportunity to testify.

Senator Dole. Charlie, I think we have another misconception about the oil business. There are a lot of people, I think probably some even in Congress, who think you just go out and punch a hole in the ground. Do you find oil every time you look for it?

Mr. Steincamp. Senator Dole, I was spotting maps in Hodgeman County the other day and since I'd spotted them, there have been nine wells drilled. Of those nine wells, eight were dry holes, 1 produced 7 barrels of oil per day and 32 barrels of water. Now, that's not too whoopy.

Senator Dole. Well, that has been adequately discussed. I think it should be part of the record. I know Senator Boren is familiar with it. Again, I think this problem was caused by a lack of information and misunderstanding. People just think oil is flowing on the ground and if you just go out with a bucket or barrel, you can go into the oil business. We made the case for the overriding royalty holders in the conference but there weren't many votes there. Again, they had to find the revenue and they just taxed everything in sight.

Mr. Steincamp. Senator Dole and Senator Boren, I'm well aware of the good fight you two put up and certainly all of my constituents are aware of it and we appreciate it.

Senator Boren. Bob, you talk about the risk of undertaking a number of dry holes. I actually had a Member of Congress ask me this question. This indicates the frustrating situations we deal with. He said, how do we know there's not some progress? What kind of form do they file when they ask the Government to pay them for the dry holes they drill? This is actually a question I was asked.

Senator Dole. There are a lot of dry holes in Congress, I think. Thank you.

Mr. Steincamp. Thank you, Senator.

Senator Dole. Ralfe Reber is the president of KIOGA—Kansas Independent Oil & Gas Association—accompanied by Don Schnacke, the executive director. KIOGA was very helpful, as I'm certain the Oklahoma independents were helpful to Senator Boren, throughout the 11-month period that we considered the windfall profit tax. We appreciate very much your attendance today.

STATEMENT OF RALFE D. REBER, PRESIDENT OF THE KANSAS INDEPENDENT OIL & GAS ASSOCIATION

Mr. Reber. Thank you, Senator Dole, Senator Boren. My name is Ralfe D. Reber. I reside in Wichita, Kans. I am president of my own independent oil producing company, Petroleum Management, Inc., with operations in Kansas, Nebraska, and Illinois. I am currently serving as president of the Kansas Independent Oil & Gas Association, a 41-year-old association of independent oil and gas producers and supporting industries in Kansas. KIOGA is commonly recognized as the chief spokesman for the independent oil and gas producers operating in Kansas.

We are very appreciative of the opportunity to appear before you and to express our views concerning the effect of the windfall profit excise tax on the independent segment of our industry.

From the beginning, we have opposed the concept of the windfall profit excise tax, since it diverts to nonenergy purposes funds which should be used for greatly expanded domestic oil and gas exploration and development. We estimate that the drain of this tax on the Kansas oil and gas industry and on the Kansas economy will be approximately $400 million per year, a figure which coincidentally is not far from actual current drilling expenditures within the State. We are concerned that our steady increase in drilling activity will level off, and that abandonment and plugging of marginal production will accelerate as a direct result of this tax.

Proponents of the windfall profit excise tax have praised the fact that it will eventually decontrol the price of crude oil, and this is indeed a worthwhile goal. While some States with a high percentage of old oil are receiving gradually increasing oil revenues, this is not true in Kansas. Because of our high percentage of previous decontrolled stripper oil and newly discovered oil, the tax to us is, in pure and simple terms, a price rollback.

Kansas has demonstrated what the free market price can do in our industry. In terms of percentage of stripper production, 78 percent, and percentage of total wells, 90 percent, Kansas is the leading stripper State among those States producing more than 100,000 barrels of oil per day. In 1972 our production was declining at a rate of 10 percent per year, and we had only 24 drilling rigs in operation. Thanks to the decontrol of stripper well oil in November 1973, we have broken the decline and at the end of 1979 we were actually producing more oil than we were in the end of 1978. This is due in large measure to increased drilling activity. We now have more than 100 rigs in operation, but it is also a result of greatly increased activity in workovers and reactivation of wells which had been temporarily abandoned. Money is being spent to increase production, and that money is coming out of stripper wells.

I have been active in National Stripper Well Association for 10 years, and served as president of that association from 1976 to 1978. I have reviewed the figures on all of the stripper areas, and find that the tremendous drilling and workover activity is not a Kansas phenomenon. It is apparent in every area which is predominantly stripper.

Joe B. McShane, Jr., current president of the National Stripper Well Association, reported May 12, 1980 at the association's midyear meeting in Denver, that there had been a 40-percent reduction in the abandonment rate of stripper production in America due to the free market price for stripper oil. He predicted the return to the abandonment rate of 15,853 wells per year, a rate established prior to 1973, as compared to the 1976–78 average rate of 9,098 per year. The 1979 figures from Texas, Oklahoma, and Kansas, with more than one-half of the Nation's stripper production, indicate that 1979 abandonments will be considerably below the 9,000 figure, undoubtedly due to further price increases in 1979. As a result of the windfall tax, Mr.

McShane predicts that there will be an increased abandonment o 67,500 wells over the next 10-year period, 1980–90, resulting in a estimated loss of 350 million barrels of oil during that period. Kansa is not exempt from economic realities, and we will experience ou share of increased abandonments and lost production.

I think pretty near, in view of the main purpose of this hearin royalty exemption, to point that out again, the possible loss of 67,50 wells, the royalty exemption won't save those wells because the opera ing expenses take them down the drain.

We are aware of your efforts to exempt royalty owners from th tax. We compliment you for this effort and we are aware and co cerned that royalty is excessively taxed as a result of the legislatio We also are aware of the legislative history and how the legislatio turned into a revenue measure rather than constructive energ legislation.

With such a high percentage of Kansas production being in th stripper category, we believe that the interests of the royalty owner will be best served by eliminating the price rollback of stripper o which occurred on March 1, 1980. While the gross benefits of thi action will be of greater benefit to producers than royalty owners on percentage basis, royalty owners will long-range receive a great benefit than they would from a simple royalty exemption, since th record shows that increased producer income will be reflected in mor drilling and workovers, thus providing royalty owners with mor income.

I might inject a point here which is not in the regular text. Most in dependent producers have been carrying, since the price of oil wen up and some of the better wells are making a good profit, they've bee carrying a profit for wells rather than plugging them, hoping th there will be some kind of laboratory breakthrough to help them i the water flooding and so forth, and this type of well is going to be hu with the loss of income. So, those stripper wells and producers ju simply won't have the ability to carry them at a loss, to get rid o them.

We understand that the windfall profit excise tax contemplat receipts by the Treasury of $227 billion over the next 10 years. How ever, we believe that the actual take by the Treasury will exceed the co lection rates which have been anticipated. Also, we believe that Fe eral income taxes collected by the Treasury Department on April 1 1980, from oil producers, will exceed estimates by a considerab amount.

We thus believe that a stripper well exemption can be accommodat without impairing the goal of $227 billion. We would urge this com mittee to obtain the figures necessary to explore this possibility, t place the stripper well exemption in the realm of the possible. If pr ducers are to be denied windfall profits we believe that the Governme should also be denied the windfall of extra tax collection to be used f more bureaucracy and political purposes.

Another inequity that needs to be addressed is the unfairness of n recognizing the State-authorized and administered tax on oil prope ties in Kansas. We do not have a severance tax. We have a proper tax, which is commonly believed to be approximately the equivale of 5 percent severance tax. In 1980 it will probably exceed $100 million. The tax parallels production and prices.

We believe the Kansas tax needs to be recognized under the windfall tax calculations. We suggest that legislation be introduced to peg the Kansas tax at 5 percent for the purpose of the windfall tax calculations. It will save the producers and royalty owners alike about 20 cents a barrel if we are treated by different stages. We have a different type of tax.

We sincerely believe the exemption of stripper wells, which will primarily benefit small independent producers and royalty interests, as well as recognizing the Kansas ad valorem taxes for the severance tax adjustment to the windfall profit tax, is in the best interests of our country in assuring maximum production from marginal oil producing properties.

We believe the Congress should incorporate our proposals in changes to the windfall profit tax in order to maximize production in Kansas and correct inequities that have been written into the existing law.

I've been to Washington a number of times and been on the phone to Washington a lot. And, I want to address this to the people around me, rather than the two Senators in front of us. These two Senators are the most knowledgeable in the stripper well area in the entire Senate and they have done just tremendous work in that segment. We appreciate your efforts very much. Thank you.

Senator DOLE. Ralfe, that was an excellent statement. We appreciate it. As I indicated before, I still hope that we might do something more for the independent producer. As you know, the bill that left the Senate had a good provision in it as far as stripper production was concerned a 1,000 barrels per day exemption for independent producers. This exemption should take care of most production, but again, it was lost in the conference. Your statement makes a good point that I believe Senator Boren would agree with. Even if we had a royalty exemption and the guy producing the well was losing money and shuts it in, it would not do much for the royalty owner. So there is a tie between producers and royalty owners that needs to be addressed. Our problem is trying to find revenue, and I hope we can do that. Some of us have an idea of where it should come from. We hope we can get it done. Thank you very much.

Mr. REBER. There's no major oil company that has done me any real favors lately, but I still go back to the strippers and the 60 percent tax on the major company stripper production. It's going to cause those wells to be plugged. They don't contribute that much to the big company. If at least maybe we could do one thing at a time, do something about this legislation, maybe have legislation that would permit a major if they sold the property to an independent to let it have the independent rate that would string out a few years longer.

Senator DOLE. That's a good point because now a property is frozen forever. If a major company sells it to an independent, the independent has to pay the 60-percent rate, so he may as well plug it. That's a good suggestion.

Senator BOREN. We certainly, both Senator Dole and I, agree they should be put on a stripper production. We also had Tom McAdams, who's also another past president of the association, testify this morning. We had, I remember one day in the Senate Finance Committee when we finally got a partial exemption for strippers and the Committee phase on the work on the bill 8 hours, I believe 1 entire day, just on the stripper exemption. It's so hard to understand when you give figures like you've given on abandonment, when something is clearly working and we can conserve the most precious mineral resource in the country, how people can get in the frame of mind to go ahead and put the tax on it that will result in the loss of these resources.

And, you really hit the nail on the head when you said we realize that what started out and was given the title of an energy bill, turned into a revenue bill. You really hit the nail on the head because that's what happened and I know that. Bob and I both have the frustration of sitting in some of the meetings when they were trying to hammer out some complement and sit there and hear them say well, we've got to have $25 billion more or we've got to have $50 billion more. That was the whole emphasis of the situation, without anyone saying we must have 300,000 more barrels of production or a million more barrels of production.

We had testimony this morning from the INAA that indicated that if we had decontrolled without the windfall profit tax we could have had something in the neighborhood of 2 million barrels a day additional production in this country that would help us to reduce our dependence on overseas sources. And the tragedy was that they didn't sit here saying, as we debated each provision, how much will that reduce energy production in this country of vital supplies. Instead they said how much tax revenue will that cost the Government, and you know somewhere, and we heard this awhile ago, people were talking about balancing the budget and Government spending. You know, somewhere the message didn't get translated right.

People have been saying, at least in Oklahoma and I imagine Kansans feel the same as Oklahomans, that they want the budget balanced but when they said that, they didn't think about the fact there were two ways of balancing the budget. You can balance the budget by way of taxes to keep up the same high level of spending or you can balance the budget by cutting back Government spending and bringing it in to reasonable bounds and I have no doubt what my constituents have been saying to me, and they certainly haven't been saying balance the budget by raising taxes and I hope we can get around that.

Thank you. We know how frustrating it's been for you gentlemen to have to argue with those people since you do know something about the oil business, and we do appreciate what you've done.

Mr. REBER. I'd like to enter this in the record, the 1979 national stripper well survey, a memorandum covering the updated figures covering Oklahoma, Kansas, and Texas, and the summary of well plugging in Kansas from 1938 to date.

STATEMENT OF RALFE D. REBER, PRESIDENT, KANSAS INDEPENDENT OIL & GAS ASSOCIATION, GREAT BEND, KANS.

My name is Ralfe D. Reber. I reside in Wichita, Kansas. I am President of my own independent oil producing company, Petroleum Management, Inc., with operations in Kansas, Nebraska and Illinois. I am currently serving as President of the Kansas Independent Oil and Gas Association, a 41 year old association of independent oil and gas producers and supporting industries in Kansas.

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IOGA is commonly recognized as the chief spokesman for the independent oil d gas producers operating in Kansas.

We are very appreciative of the opportunity to appear before you and to ex-ress our views concerning the effect of the "windfall profits" excise tax on the dependent segment of our industry.

From the beginning, we have opposed the concept of the "windfall profits" xcise tax, since it diverts to non-energy purposes funds which should be used r greatly expanded domestic oil and gas exploration and development. We stimate that the drain of this tax on the Kansas oil and gas industry and on e Kansas economy will be approximately $400 million per year, a figure which oincidentally is not far from actual current drilling expenditures within the tate. We are concerned that our steady increase in drilling activity will level off, nd that abandonment and plugging of marginal production will accelerate as a irect result of this tax.

Proponents of the "windfall profits" excise tax have praised the fact that it will eventually decontrol the price of crude oil, and this is indeed a worthwhile oal. While some states with a high percentage of "old" oil are receiving gradually increasing oil revenues, this is not true in Kansas. Because of our high ercentage of previously decontrolled stripper oil and newly discovered oil, he tax to us is in pure and simple terms a price rollback!

Kansas has demonstrated what the free market price can do in our industry. In terms of percentage of stripper production (78 percent) and percentage of otal wells (90 percent) Kansas is the leading stripper state among those states producing more than 100,000 barrels of oil per day. In 1972 our production was declining at a rate of 10 percent per year, and we had only 24 drilling rigs in operation. Thanks to the decontrol of stripper well oil in November 1973, we have broken the decline and at the end of 1979 we were actually producing more oil than we were in the end of 1978. This is due in a large measure to increased drilling activity—we now have more than 100 rigs in operation—but it is also a result of greatly increased activity in workovers and reactivation of wells which had been temporarily abandoned. Money is being spent to increase production, and that money is coming out of stripper wells.

I have been active in National Stripper Well Association for ten years, and served as president of that association from 1976 to 1978. I have reviewed the figures on all of the stripper areas, and find that the tremendous drilling and workover activity is not a Kansas phenomenon. It is apparent in every area which is predominantly stripper.

Joe B. McShane, Jr., current President of the National Stripper Well Association reported May 12, 1980 at the Association's mid-year meeting in Denver, that there had been a 40 percent reduction in the abandonment rate of stripper production in America due to the free market price for stripper oil. He predicted the return to the abandonment rate of 15,853 wells per year, a rate established prior to 1973, as compared to the 1976–1978 average rate of 9,098 per year. 1979 figures from Texas, Oklahoma and Kansas, with more than one-half of the nation's stripper production, indicate that 1979 abandonments will be considerably below the 9,000 figure, undoubtedly due to further price increases in 1979. As a result of the "windfall tax," Mr. McShane predicts that there will be an increased abandonment of 67,500 wells over the next ten-year period (1980–90) resulting in an estimated loss of 350 million barrels of oil during that period. Kansas is not exempt from economic realities, and we will experience our share of increased abandonments and lost production.

We are aware of your efforts to exempt royalty owners from the tax. We compliment you for this effort as we are aware and concerned that royalty is excessively taxed as a result of the legislation. We also are aware of the legislative history and how the legislation turned into a revenue measure rather than constructive energy legislation.

With such a high percentage of Kansas production being in the stripper category, we believe that the interests of the royalty owners will best be served by eliminating the price rollback of stripper oil which occurred on March 1, 1980. While the gross benefits of this action will be of greater benefit to producers than royalty owners on a percentage basis, royalty owners will long-range receive a greater benefit than they would from a simple royalty exemption, since the record shows that increased producer income will be reflected in more drilling and workovers, thus providing royalty owners with more income.

We understand that the "windfall profits" excise tax contemplates receipts by the Treasury of $227 billion dollars over hte next ten years. However, we believe that the actual take by the Treasury will exceed the collection rates which have been anticipated. Also, we believe that Federal income taxes collected by the Treasury Department on April 15, 1980 from oil producers will exceed estimates by a considerable amount. We thus believe that a stripper well exemption can be accommodated without impairing the goal of $227 billion dollars. We would urge this Committee to obtain the figures necessary to explore this possibility, to place the stripper well exemption in the realm of the possible. If producers are to be denied "windfall profits' we believe that the government should also be denied the windfall of extra tax collection to be used for more bureaucracy and political purposes.

Another inequity that needs to be addressed is the unfairness of not recognizing the state authorized and administered tax on oil properties in Kansas. We do not have a severance tax. We have a property tax, which is commonly believed to be approximately the equivalent of a 5 percent severance tax. In 1980 it will probably exceed $100 million dollars. The tax parallels production and prices.

We believe the Kansas tax needs to be recognized under the windfall tax calculations. We suggest that legislation be introduced to peg the Kansas tax at 5 percent for the purpose of the windfall tax calculations.

We sincerely believe the exemption of stripper wells, which will primarily benefit small independent producers and royalty interests, as well as recognizing the Kansas ad valorem taxes for the severance adjustment to the windfall profits tax, is in the best interests of our country in assuring maximum production from marginal oil producing properties.

We believe Congress should incorporate our proposals in changes to the "windfall profits" tax in order to maximize production in Kansas and correct inequities that have been written into the existing law. Thank you!

RALFE D. REBB.

Senator DOLE. Thank you, that will be made a part of the record. We're right on schedule. We have only three witnesses left and Senator Boren will stay as long as he can. He has to be in Seminole to receive the man of the year award, along with his father. And if he can get this amendment passed, we'll give him an award here in Kansas.

Our next witness is Tom Tatlock from Wichita. If we have a little additional time at the end and some of you would like to make brief statements, I will be happy to stay awhile afterward.

STATEMENT OF TOM TATLOCK, WICHITA, KANS.

Mr. TATLOCK. Senator Dole and Senator Boren, I should have been writing up a résumé or whatever you want to call it, but I was too busy. I was working trying to earn enough money to make ends meet. I'm an overriding royalty owner and Uncle Sam is taking 34½ percent of my revenue with no recourse whatsoever. It comes down to the old adage, the power to tax is the power to destroy and we've certainly had that forced upon us by a bunch of inept leaders who have promised no tax increases and they are leading us down the road to socialism as fast as they can go.

I'm particularly impressed by the number of people who have turned out for this meeting today who are interested in the American way of life. This is the only great country that people are standing in line to get into and not standing in line to get out of.

I'm particularly—I was interested in what Senator Boren said too. We couldn't have gotten this many people if we'd given them $5 at the door at the time that the windfall profit tax was being debated because it was only going to affect Exxon, it wasn't going to affect me or Charlie or Aunt Minnie because the politicians did not and would not be honest with us.

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In the final phase of the thing and I wrote to some 75 Senators in opposition with a 15-cent stamp that's worth three, and I wrote to—I heard from you, I heard from Senator Boren, I heard from John Tower, and one or two others. Out of all the letters that I wrote in opposition to a tax on one of the greatest industries in this whole United States, and it's the only industry that can save us in the years to come because we are hostage to the Middle East, to the Russians who we are unable to cope with, and it's time that we came home and started to help ourselves help one another.

Senator Boren made the statement a minute ago that we should put a pamphlet or a sticker on each gasoline tank, on each gasoline pump saying that so much of that was tax. I would say let's tell the American people that the windfall profit tax is a gasoline tax that's costing them 40 to 50 cents a gallon. We're running the Department of Energy and it's costing us another 15 cents a gallon and not a damn one of them are worth that to us.

We need to help—I'm not retired, I'm not smart enough to be retired.

Senator DOLE. I hope you don't run for Senate.

Mr. TATLOCK. But we need to have the retired, the old, the elderly, but we must have something for our younger generation because we've lived in a great country and these people around me have lived in a great country that was freer than the one I'm in and I'm worried about my children and my grandchildren and the scope of their freedom in this country and I would urge you to help with the 10-barrel royalty exemption. But, let's get down to helping each other. Let's take and repeal the so-called energy tax that Carter said is the board of his energy policy which is only self-defeating.

Let's disband the Department of Energy, the Department of Education, and all the good deal agencies, they are the people that want to do something that our forefathers did to keep this country great for the coming generation.

I want to commend both of you for the fine job you've done in fighting our battle, which is our battle. It isn't my battle, it's their battle and it's our children's battle and our grandchildren's and the preservation of the only great country left in the world. Thank you.

Senator DOLE. Thank you. The way Tom was abolishing all those things, I thought he was going to recommend we abolish Congress. I would not want to put that to a vote.

Lyman David from Lenora. Has Paul Simpson arrived yet? We'll put Paul's statement in the record. He represents the Eastern Kansas Oil & Gas Association.

STATEMENT OF LYMAN DAVID, LENORA, KANS.

Mr. DAVID. Senator Dole and Senator Boren, I appreciate the privilege to testify here today, and appreciate the fact that you Senators came out here to listen to us.

I am a farmer and also an independent oil producer and I would say it's much more convenient for you to come out here than it is for me to drive a tractor clear to Washington.

I am an individual, independent producer of a small stripper production. My name is Lyman David. I live at Lenora, Kans., and reside at Lenora, Kans.

As Senator Boren said about the Japanese, I'm concerned and confused about the windfall profit tax. Why should any operation be taxed before expenses? Our operation is probably, as an independent producer and operator, is about as drastic as you can get. And, our operation is a stripper production. The equipment is old and will need much repair if we continue to produce. If we have many more breakdowns, we could be operating at a loss. I'm going to submit to you an actual expense statement. This is not a concocted expense statement. This was sent out to the shareholders that have an interest in a production last year. I don't know as I need to read all these figures off, it will be a matter of record, but our expenses on this particular well, to operate it last year, was $10,892.73.

Now, our projected income for 1980, this is before the windfall profit tax came about, would amount to about $16,940 if our production remains the same and if our expenses remain about the same. We'd only have about $1,208 profit and this is being real conservative. There's only about 2 percent on your investment.

I believe that if excessive profits are made on large operations, the small producer should be exempted. Now, if we make a profit, we will pay income tax. This is my understanding that we need more oil in the United States, not less production, so why kill the incentive.

I'd like to go on and say with this tax as it is in force now, we cannot afford to explore new production. And, I'm in complete agreement with the royalty owners. I think this is probably one of the most degrading things that could have happened in the country is to take it right out of the heart of agriculture. We in agriculture produce food at less than the cost of production. Now, the independent operators are being asked to produce oil at less than cost. So, I appreciate the opportunity to be here today and thank you.

Senator BOREN. You speakers, to me, are very enlightening, and I think you'll help us make an even better record. One of the things I mentioned earlier and partly in jest and being serious, when I said we finally got them to change the figure from not taxing more than 100 percent down to 90 percent of your net return and they said well, we've got that in there, you're absolutely protected, you're not going to shut down property, we're not going to shut down your stripper wells, but what these speakers indicated, if you're making only $1,200 a year profit, you're just about here at the 90 percent take in terms of net income.

What happens if you do have a pump go out or some major expense when you might be dealing with a workover that might cost $15, $20, $30,000 in order to keep everything going? You're simply not going to do it and that's where the abandonment comes and I think that's a point that we've had great difficulty getting across to those who wrote this tax, that 90 percent of that income doesn't necessarily mean you're going to go ahead because you're independent because you may get hit with a major expense that will cause you to shut it down because when you calculate out how many years it will take you to get back a major expenditure, it's going to be too long a period of time and too uncertain when you've got people of the U.S. Congress doing things to you from time to time. I think these figures are very helpful.

Mr. David. We hardly considered before the windfall profit tax ame into being of exploring new production but this makes that otally prohibitive. In fact, we may have to shut down some of our roduction.

Senator Dole. You may have read it for the record, but I didn't ear it. Your projected income for 1980 was about $16,940 and your rofit after the tax are down to $12,100 and then you're paying about 4,800 in taxes.

Mr. David. Profit is only $1,200.

Senator Dole. That is total profit after the expense and taxes, but you're paying $4,800 on that one production which is $400 a month.

Mr. David. I haven't included it here, but there are I think eight shareholders in this production and they don't realize anything. In fact, they're a pretty sad group.

Senator Dole. You mean they're nice people but they're upset. We appreciate that testimony very much, Lyman. I think it will be very helpful as Senator Boren has indicated. I'm not sure, how is your time?

Senator Boren. I think I'm going to have to leave you.

Senator Dole. I'll call your next witness, Jim Rockhold of Great Bend. While he's coming up I want to thank again Senator Boren for not just coming today but for his outstanding work for everybody in this audience and I say that with total sincerity. We are working on this problem. We did not know each other a year or two ago. But we both understand the problems and it's been help on his side of the aisle that's made it possible to get many of these things done. So we appreciate your leadership and we were not kidding, if we get this amendment passed, we'll figure out some award that will make the Seminole award pale by comparison. Thank you.

Senator Boren. I'm pleased to have been able to have been with you and I'll just say this, since I've come to the Senate, about a year and a half ago now, I've had a lot of help and a lot of instruction. When you come into something like that new you need someone to help you give direction and it has been a real privilege for me to work with someone like Bob Dole. I can count on what he's telling me as being straight and to the point. What we both were trying to do here and I get frustrated sometimes because people say well, you just represent Oklahoma's interests or oil-producing State's interest and I think what we've heard again today, people are not concerned about themselves, the taking of their property and leaving them in an impaired economic condition. What we're trying to say is and why I had the frustration and what I wanted to say to those people when they say you're from Oklahoma or you're from Kansas, what I wanted to say was we're here to represent our States but we're here trying to do something for America and that's the spirit we're going to tackle.

I'm glad to have been with you.

Senator Dole. Jim, do you want to proceed? We have one other witness and we still have a little time.

STATEMENT OF JAMES W. ROCKHOLD, GREAT BEND, KANS.

Mr. Rockhold. I'm James Rockhold of 3800 17th, Great Bend, Kans. I am a registered professional engineer with a B.S. degree in petroleum engineering from the University of Oklahoma. We operate a small service company which does contract pumping, well completions, workovers, and casing pulling.

In the early 1970's, we had three casing pulling rigs operating almost full time, but now we have two rigs stacked and are only operating one rig part time. To illustrate what has happened to this phase of our business, I have drawn a bar graph from information furnished by the Kansas Corporation Commission which shows a peak of 1,900 wells being plugged in 1974, with a sharp decline to 451 wells in 1979, and a projection of 222 wells for 1980, based on the number plugged in the first quarter.

In view of the loss of revenue to Kansas operators, because of the Windfall Profit Tax Act of 1980, I predict another surge in the plugging and abandonment of stripper wells. As operators we figure the economic limits of marginal wells and look at the high interest rates they are paying on the $10,000 to $25,000 worth of equipment that they have tied up on these wells, we reluctantly might have to bring those other two casing pulling rigs out of mothballs. Another factor which will contribute to shutting down marginal wells is the current shortage of pumping units, sucker rods, and tubing.

To assess the economic impact of this excise tax, I calculated the economic limit on the 44 properties which we either operate or supervise at both the pretax and aftertax prices of crude oil. The 58 oil wells on these properties are all stripper wells with an average daily production of 2.57 barrels of oil per day per well in 1979.

Average daily production per well varied from 0.55 to 8.4 barrels of oil per day. At pretax crude prices, the average economic limit was 0.646 barrels of oil per day and the aftertax average was 0.781 barrels of oil per day which represents an increase of 36 percent. The pretax economic life of these wells averaged 18.5 years and the after tax economic life average was 16.25 years or 2.25 years per property.

The engineering method of appraisal was used in evaluating these properties using 1979 operating expenses with no allowance for inflation or for increases in the price of crude oil. Considering the fact that operating expenses have almost tripled since the Arab embargo 6 years ago, many of these wells will reach their economic limit much sooner than predicted above. Unless we are able to increase productivity or substantially reduce operating costs, one of these properties will reach its economic limit this year, another next year, three in 1982 and so on. This loss is due entirely to the loss of revenue because of the excise tax.

The loss of 2.25 years of economic life per property on these 44 leases represents a loss of 24,678 barrels of producing reserves with a pretax value of $960,468. Now, that's almost $150,000 worth of royalty revenue and represents approximately 10 wells that we could have drilled without loss of this revenue. In addition to this, the local economy will lose $383,800 per year which would have been spent for operating expenses. You roll that over five times, as Mr. Huss said, that's almost $2 million.

Once these wells are plugged, the reserves will probably be lost forever unless we have another dramatic increase in the price of crude oil or a substantial drop in drilling and equipment costs which are ineasing at a current rate of 18 to 36 percent per yead. The sad thing bout this situation is that the primary recovery mechanisms only roduce about 10 or 20 percent of original oil in place in the reservoir. Even after water flooding there is still about 65 percent of this original il left or tertiary recovery of these wells can be saved. Thank you.

Senator **DOLE**. I thank you very much. Again, that's the kind of nformation we need. If you do not have copies, we can make copies f that statement. Thank you.

Neil Tischauser from Salina. This is our last scheduled witness. As I aid, we have a little time, so if some of you would like to express yourselves, there's a mike right in the middle, just give your name and address so we know where to send a copy of the hearing record and we an stick around awhile. Neil, go ahead.

STATEMENT OF NEIL TISCHHAUSER, SALINA, KANS.

Mr. **TISCHHAUSER**. Hon. Senator Dole, my name is Neil Tischhauser. I am from Salina, Kans. I run a few cattle, farm a little ground and have a little working interest in a few wells.

Two years ago the President opened the imports and dropped the price of beef 13 cents a pound in 2 days. In January he put the embargo on the grain and we already know what that did.

I would like the opportunity—I'd like to thank you for the opportunity to relate the feelings of my family and friends on the windfall profit tax.

We are told there is an energy shortage but is this really true? U.S. gasoline stocks stand at 259.6 million barrels, 12 million barrels more than in 1977 when there was no crisis. Crude oil stocks are 305.3 million barrels, 32.7 million barrels more than 2 years ago. Demand for gas has risen only a tiny 0.3 percent since 1977. Including the strategic reserve and all above ground stocks, we have 1.3 billion barrels in reserve, 22 percent more than in March 1977.

We, the American people, are being penalized by our own Government for finding new domestic oil. It looks like our Government would rather wreck the American economy by importing 7.7 million barrels of foreign oil a day than to see their innovative American people again bring this once great Nation back to a great self-sufficient nation.

Going into the oil business is a very high risk business. This alone is enough to stop most people from investing. Add a high tax and you also stop the people who would have invested in finding new oil.

The average oil well in Kansas and Oklahoma produces only about 10 barrels of oil a day. When that well stops pumping, and they do run dry after a time, you lose your income and your investment forever.

History will show you that the price of oil had to go up to make these wells feasible. Now the Government, with their windfall profit tax, are making the small wells nonfeasible again. I, for one, am not about to invest more money in a business that the bungling elected officials in Washington, D.C., have turned into a loss.

I would like to close by stating that if you want more domestic oil, then give us the chance of finding it with a reasonable chance of making a good profit in a high risk business. We would like to see the windfall profit tax dropped. Since the large oil companies can recover their taxes with higher gas prices, we would like to know how we, the working interest and royalty interest owners, can recover our tax losses. Thank you.

Senator DOLE. Thank you, Neil. Thank you very much. You're making a point that was lost on many in the Congress. There is no way you can recover your costs; it's taken out of your check. Now you know how much was taken out. It's the same thing that Senator Boren said earlier. It's a transfer of money from this region to the Federal Government. It's money that's not being spent in this area, jobs that are not being created in your area. We understand the necessity for taxation in this country, but it's not a profit tax and it was never a profit tax. It is an excise or severance tax—call it what you will. There is no way the royalty owner or the independent producer can pass on the cost. The tax affects particularly someone in your generation, which is well below average age of farmers in the State. The average Kansas farmer is well into his fifties. We are making it more and more difficult for anyone under this age to get into agriculture. Thank you very much. Mr. Ehrlich.

STATEMENT OF HON. ROY EHRLICH, STATE REPRESENTATIVE

Representative EHRLICH. Thank you very much, Senator Dole. I do want to say that the news media throughout our Nation indicated that you and Senator Boren carried the weight for the oil-producing States and I want to congratulate you on this.

Barton County, which I do represent as State representative, the 112th District, is one of the largest oil-producing counties within the State.

I definitely concur with every statement that was made in the testimony here today. I support Senate bill 2521. I feel that even if you are not a royalty producer or receiving royalty interest, this is going to be revenue lost to the State of Kansas and also to our county and to our cities.

I have come with a petition and it is signed by many of the royalty owners in the northern part of Barton County. In fact, Senator Dole, some of them even said, tell Bob "hi," so if you go through these, I'm sure you'll recognize the names. One of the farmers indicated the wheat prices are down, cattle prices are down. This legislation has hurt the farmer, the independent operator, and also the businessmen within the State of Kansas.

One person that handed me the petition indicated to me saying that on this, first of all, they take my cattle at low prices, wheat at a low price, now you want to go 42,000 feet below my property to get that. Thank you very much.

Senator DOLE. I know you, but they need to have your full name and address.

STATEMENT OF ED FELLERS, HAYS, KANS.

Mr. FELLERS. Senator Dole, I just wanted to add something that I don't think has been touched on today. I have a friend who started investing in drilling of wells 8 years ago. The other day he authorized his accountant to figure up how much money he had put in, in the years time, how much he had gotten back, and the accountant found at that over that 8-year period that he was $32,000 in the hole and e also projected that it would take him possibly 7 or 8 years to get his $32,000 back before he would ever have any money that he could all his own.

I just wanted to comment on that.

Senator DOLE. I appreciate that. We want to get your address and name so we can send you a copy of the record.

STATEMENT OF BILL BROWN, CHENEY, KANS.

Mr. BROWN. Senator Dole, your staff has a copy of this letter already. I just want to make a short statement—30 seconds. My name is Bill Brown. I own a producing oil well, Brown No. 1, in Kingman County, and I own all of it and it was drilled in 1950. The well is certified as a stripper well and produced 2.25 barrels of oil per day. In addition to owning this well, I own the land on which the well is situated and thus own the royalty. The purchaser of this well has withheld windfall profit tax in the amount of 60 percent of production over and above the base price. Apparently the windfall profit tax law is so confusing that the purchasers are withholding the maximum amount of tax hoping at some future time to make an adjustment. As I understand the law, I should be taxed at 30 percent on the working interest and 60 percent on the royalty interest. Currently I have been underpaid approximately $1,000, which is a considerable amount of money to me. The most unfair expense of this tax is not the confusion of amendments in it but the fact that I will ultimately lose 30 percent of 7/8ths and 60 perecnt of 1/8th of the production without any way of recovering this loss.

I think it is totally unfair for me to be placed next to the major oil companies who ultimately recover at least in part their tax loss. This law as now written is another perfect example of how the little guy bears the biggest burden and the big guy bears the littlest burden. Someday, somehow, Congress should open its eyes and make purple homage to the other guy.

Senator DOLE. Thank you very much. We need to examine that and see if there's something we can do to help you on that.

Mr. BROWN. I've got four letters into Permian Oil Co. in Houston and they haven't answered one of them. I'm sure I'm an independent, not a major on one little well.

STATEMENT OF LEO HAWLEY, ZENDA, KANS.

Mr. HAWLEY. Leo Hawley, Zenda, Kans. I'd like to address the part of the rollback prices. As you know, last year all Federal income tax was paid on about the same price. Now when they take it off the top, it doesn't run through the economy, and as has been previously stated, it turns over five times in the State of Oklahoma. Say it turns over two more times before it goes through the economy but you take $100 and go through it, you find out they take $60 out for the windfall profit tax. Now, that $60 when turned over 7 times in the economy, it would be $420. Now, if the Federal Government got a tax cut of that, say 20 percent, that's $84 Actually Uncle Sam is actually cheating himself out of $24 that's going to have to be made up some way and I don't particularly want to have to pick up that difference when they get through sending it through, that's $200-some billion and they find out they don't have that much.

Senator **Dole**. I appreciate that. I think it does make a point. As you indicated, the tax comes off the top. I guess the theory is the Government does not want to take any chances, whether it turns over seven times or not.

STATEMENT OF GEORGE C. McKOWN, GREAT BEND, KANS.

Mr. **McKown**. My name is George McKown, Great Bend, Kans. I'm president of DaMac Drilling Co., a drilling contracting firm here. We're also a small independent oil producer, also own farmland and we have some royalty in an oil well on our farmland and, therefore, have a small royalty interest. In the remarks that were made today, I heard a few things that I think need to be addressed. One is, Senator Dole, you mentioned the fact you have some idea where the additional revenue could come from to replace the revenue that the royalty owners are presently paying. I have some ideas also. I also heard the remark that the royalty owners should be treated as good as the producers. I would suggest the royalty owners should all be treated the same. What I'm thinking of is the biggest royalty owner of all, which is the Federal Government. Our big royalty owners, the Federal Government who gets billions of dollars of royalty, we have the State government which get a tremendous amount of money, particularly the coastal States which have the right to offshore oil for so many miles off the coast. In some cases we have school lands which get a certain amount of royalty income.

We have also got cities, such as Long Beach, Calif., that get a tremendous oil income. Now, the thing is this so-called windfall profit tax has a complete exemption for oil production which belongs to any unit of government and therefore the people I've met are not paying any of this windfall profit tax that the small royalty owners are paying. I think this is totally wrong that the exemption for government owned oil by any branch of government should be repealed as a way of making up for perhaps loss of revenue which could be lost by giving exemptions to the small royalty owners.

Another thing about the problem of the exemption of government owned royalty is it tends to put all the private interest to considerable disadvantage. Most people don't realize that the highest price oil in the world today comes from the U.S. Government in Elk Hills, Calif. They are required by law of the Federal Government to sell it to the highest bidder and it sells for $42 a barrel and that's higher than the Arab nations or OPEC is charging and our own Government is charging us the highest price for crude oil of any oil consumed in the United States. We have situations where units of government have actually organized oil companies. I'm thinking particularly about the one in Long Beach, Calif. In that situation the city of Long Beach has an oil company of its own which is exempt from this tax. Now, there are many of us who are concerned about the possibility of national oil companies. I'm simply pointing out we already have a situation built into this law which gives that type of a company an advantage over private companies.

In some of the States there are a lot that want to organize their own State oil company and be exempt from this tax. They would have an economic advantage over the private oil companies which might have drilled the same land.

Senator DOLE. We need to get your address up here. I appreciate that. They did have a big debate over whether the Federal Government does pay a tax on the oil it produces. States are exempt. That issue provoked considerable controversy during the windfall profit tax debate. Your statement points out some areas that should be addressed and we're happy to have that testimony.

STATEMENT OF CHARLES R. MILLER, HOISINGTON, KANS.

Mr. MILLER. Charles R. Miller, Hoisington, Kans., 67544, 1205 N. Clay. Senator, I can't help but make some observations. First I want to try and reinforce the cost of oil production that royalty owners have, overriding in most cases, and I've invested in the oil business in several different ways and I was counting up on my fingers and my ratio of success and failures is about 5 failures to 1. Now, that's better than an example that was revealed earlier, but in this windfall profit tax there's no consideration given to royalty holders or anyone else as far as I know for total investment in the oil industry.

Now, the Congress perhaps has failed to realize in their consideration of this bill that big business or business and industry do not pay taxes, they only collect taxes. Now, on that basis then there's only two categories of people who pay these taxes, that's the royalty owners and the public at large, the consumer.

I would hope that you return to Washington and try to impress the Congress with that fact and that fact being so then the 2521 certainly is not an adequate remedial measure. The facts indicate that this should be repealed in total.

Senator DOLE. I agree with that, Charlie, but at the same time I have to be realistic. We tried to send the whole tax bill back to committee to do that and we got 35 votes out of 100. That's not enough. Now, there's a lot of things we can do. Maybe there will be some new Senators around next year. I know that one candidate for President has indicated he is against the tax. Maybe that will help, but beyond that we must face a political reality, as Senator Boren pointed out. Unfortunately too many in the Congress forgot about the energy aspects of the windfall tax. It became a big revenue bill—an exercise in how much money can we get. We've got about eight witnesses backed up behind you.

Mr. MILLER. I have one more point here. First, through this method of taxation it's my opinion that this is one giant step toward nationalization of the oil industry via taxation.

Senator DOLE. That point has been made.

Mr. MILLER. Now, this is not in jest, but perhaps the two greatest injustices that have ever been perpetrated in our country, the last two of the greatest, and that is this windfall profit tax was enacted and that is probably second to the inauguration of our President. Thank you.

Senator DOLE. Thank you, Charlie, I appreciate it.

STATEMENT OF MRS. NORMAN MILLER, CHASE, KANS., ON BEHALF OF THE CHASE PRESBYTERIAN CHURCH

Mrs. MILLER. Senator Dole, I am Mrs. Norman Miller from Chase, Kans., and I'm going to speak to the situation in a different point of view than any have been spoken here today.

I am an elder in the Presbyterian Church in Chase, Kans., and a few years ago our church was willed 2,700 acres of land which it is our good fortune to have oil on. This tax came out and there were certain exemptions and we have a President that goes before the TV saying he's such a good born-again Christian, but he fails to realize that the Christian Church, the greatest charitable institution in the world and in our own State. In our State I think it would take all 10 fingers if you were to count the colleges that are maintained by the various churches in our State. I give money. We set aside $15,000 for benevolence to certain places, $7,000 of it went to Sterling College and $7,000 went to Long School and then $750 into the Senior Citizen Center in Chase.

I'm asking for an explanation why schools and colleges are exempt from this tax and yet the churches, the most benevolent group of people in the United States, have to pay the tax. Thank you.

Senator DOLE. Thank you.

STATEMENT OF HELEN DROSSELMUYER, KINGMAN, KANS.

Mrs. DROSSELMUYER. I am Helen Drosselmuyer from Kingman, Kans., and I have the same drive and everything that everyone has. I want to get to work if there's anything for me to do. There's a group of us in Belmont, Kans., south of Kingman, but we don't really know what to do. Do we need more testimonial letters or petitions? What do we need? We're ready. I'm ready to go if there's anything for me to do.

Senator DOLE. There is. I understand some efforts being made in Kansas and Oklahoma and other States to put together statewide organizations. I am not a part of that but we've been furnishing information to any group. We have had the testimonial of the group for the Southwest Kansas Royalty Association. There's another eastern Kansas association. As far as myself and Senator Kassebaum, you do not need to work on us because we are both pushing this proposal. We do need to work on some of the people in other States, that seems to be the problem.

Mrs. DROSSELMUYER. That's going a little too far for me. Perhaps we could just individually go out and contact people and if we can help you, we would certainly do it.

Senator DOLE. I appreciate that. There are other things that can be done. Even in Great Bend and my hometown of Russell, there are a lot of people who do not have any oil income. They say what are royalty holders complaining about—I don't have any oil on my property. So I guess there is missionary work to be done in your own neighborhood because there are some people who are not fortunate enough to have any oil and don't understand the problem.

Mrs. DROSSELMUYER. There's a lot of people that think the big oil companies—the big ones aren't paying this. They don't realize that we little ones are suffering as much as we are.

Senator DOLE. I think it's $56 billion out of $227 billion.

Mrs. Drosselmuyer. Would you appreciate some more letters or will o you any good?

Senator Dole. We like to have a lot of letters.

Mrs. Drosselmuyer. I can't go out of State.

Senator Dole. What we can do with your letters is maybe figure out e way to transmit those to Senators in nonproducing States. They uld have the same impact as the representative from Springfield d on Senator Percy. Senator Percy is now cosponsoring this bill be- se somebody pointed out to him that there are a lot of stripper wells Illinois. There are a lot of stripper wells in New York and in Penn- lvania, but we did not have much support from the Senators in those ates. Some were Democrats and some were Republicans.

STATEMENT OF WYLIE GORE, ELKHART, KANS.

Mr. Gore. I am Wylie Gore, of Elkhart, Kans., out in the southwest- n corner of the State. I still appreciate you, Senator, and Senator oren in taking your time and effort to come out to western Kansas be with us and I certainly appreciate the crowd. I've been to a lot of ifferent hearings and one thing and another and there wasn't enough eople, probably more politicians than there were patriarchs, if that's e word.

I'm also one of the farmers that was in Washington last year and I ppreciate the attention I got from our people in Washington and some on't like the way they were treated.

I'm an American, natural-born American, and I'm proud of it, but 'm not proud of the way I'm being treated part of the time and we're oing to have to start being American and stand up for our rights and et out and start doing something.

My parents have mineral rights, they have some oil production. It's ld oil, started in 1965. It's terribly high priced, $10 a barrel, but they ot it.

I'm going to make two statements I probably shouldn't, but I'm going to anyway. The American Revolution was fought over excess taxation without representation. It may be time to look very closely at Mr. Carter's excess profit tax. If this isn't taxation without representation I never saw anything that was. I resent the misrepresentation or lack of truthfulness in his presentation of this matter to the American public on TV. If there was any one thing said about taxes on the widows and orphans and the schools, it damn sure never was shown on TV. And my old grandfather was a Baptist, he was one of the hellfire and brimstone Baptists. He told me people go to hell for the sins of omission as well as sins of commission. It damn sure ain't right. Thank you, sir.

Senator Dole. Thank you.

STATEMENT OF CAROLYN A. GERRITZEN, CLAFLIN, KANS.

Mrs. Gerritzen. I'm Carolyn Gerritzen from rural route, Claflin, Kans. You have my letter. I sent you one and got a big fat letter back and thank you very much for that.

Now, I'm going to flip the record over and play the other side. I haven't heard anybody say how much they paid taxes to the—well, Barton County, like I did. Independence Township is where my little dab of oil comes from. I paid oil production tax to Unified School District No. 364, also to Barton County, Juco. That's over there. I paid out of $42.56, Barton County Junior College, or Barton County Community College as they wish to be called, $5.65 out of the $42.56, and Claflin Unified School District No. 54 got $25.04 out of the $42.56, giving a total of $30.73 that came out of that $42.56, went to the schools presumably to pay for the teachers and buy books and I don't know what all. And the fire district, it compromised and I understand it's around five, they got $1.10 out of the $42.56. I don't begrudge paying this tax, I gladly pay it because we need education for this generation and the next generation. If the windfall profit tax keeps on, our schools won't be getting this and even if they do, one individual said the oil would be devalued and look at what the schools are missing. That is my point.

Senator Dole. That's a good point. I think it was stated by one of the witnesses, but that gives us more detail.

Mrs. Gerritzen. I have a copy of this. I won't give you my tax statement.

Senator Dole. I won't be able to pay it.

Mrs. Gerritzen. I need this here one for my shoe box.

Senator Dole. The other day in Congress a Member was making a speech and said, "Let me tax your memory," another Member jumped up and said, "Why haven't we thought of that before." The point is I think the American people have been taxed enough. There's a $104 billion proposed in new taxes to go into effect in fiscal year 1981—$104 billion. There's the windfall tax, social security tax, they want to pass an oil import fee now which is just another tax. I think the American people have been taxed enough.

Mrs. Holly. I'm Freida Holly of Edna, Kans. I want to know what date the tax starts, what month it starts.

Senator Dole. Oil produced after March 1, sold after March 1.

Mrs. Holly. I have a stripper well and my production tank fills in about 4 months and my last dump was in November. My tank was tagged in February to be emptied, but was not emptied until the first of March and I was charged $300 tax.

Senator Dole. Let me have you visit with Mr. DeArment, who is right there. Rod, why don't you stand up. Maybe he will be able to clarify that specific problem.

STATEMENT OF GAIL BEESLEY, GOVE, KANS.

Mr. Beesley. I'm Gail Beesley from Gove, Kans., and what I'm going to present is probably of little interest of what we've been hearing here today. I hope you won't all say that guy suddenly made it with what I have to say.

We own seven quarters of land in Gove County, Kans. which has $44,000 mortgage on it and we started buying it in 1948 shortly after we were married and our farming and ranching operation lost $18,000 in fiscal year 1979. Three oil wells were discovered on one quarter of that land in 1979. The total withheld in windfall profit tax on our check for April 1980 production which we received in the mail yesterday, a total withheld of $53,000. This accumulates to more than $635,000 withheld per year. This would be withheld for 12 months if production holds at its present level. The amount of $635,000 is more money than the land itself was valued at 1 year before the oil was discovered. My dad started part of what I farm as a homesteader in 1900. We believe firmly in the family farm. My son is going to follow me, is beginning to work with me. We're trying to decide how we can transfer with this inheritance tax and State tax, how we can get this over to our children as they inherit.

It sounds like from rags to riches when we lost $18,000.00 in 1979 and here only the windfall profit tax is going to amount to over $600,000 next year. What really concerns me is the fact that they withhold this amount of money which in our estimation is purely confiscation of our personal property. We have the deed to it. We own the minerals and the fact these wells in our area usually pump 3 or 4 years, we are automatically going to be pushed into a 50 or 60 percent income tax bracket. After that with subtraction of the windfall profit tax, we don't know how much we are going to be increased on the personal property tax. Just the other day my sister called and said you have four wells on that land. I said no, we have three. She said it's my understanding you have four. I don't know what we'll have for property tax on a quarter of land. I haven't talked to my accountant, but we're probably going to be losing 70 to 80 percent of that back down to stripper wells and will not be able to lease in the future. In years past we've had dry wells drilled and when people came around leasing we wanted to lease everything. They said no, you have a dry hole and we won't take it but when your production ceases down the road a few years we're going to be without this. I think the law is unconstitutional. I would like to see it contested. We're supposed to be a free government. How can they legally come out and take property. I want to put in my short written statement in the record.

Senator **Dole**. There is a lawsuit pending, as you probably know, in Oklahoma to test the constitutionality of the windfall tax. We hope it's successful. There is an exemption granted on oil discovered on Indian reservations and Alaskan oil. If it's excise tax it has to be spread equally without exemption, so the lawsuit is based on that theory. As I stated I hope it's successful.

I might say that Senator Long, who is chairman of the Finance Committee and a very powerful Democrat in Congress, promised me on the Senate floor that he would help us find some relief for the royalty owners and some more relief for independent oil producers. Perhaps he can persuade President Carter of the need for this relief, I certainly think it will be in President Carter's political interest to say that before November that a mistake has been made and that he would recommend an exemption for royalty owners or other relief. That would be most helpful, but failing that, we just have to keep working with what we have in persuading members who voted against us to vote for us.

We have time for one more witness, so this will be the last witness.

Unidentified Speaker. I was wondering when you started that you said that the Senators or your colleagues on the windfall profits, they said well the farmer hasn't got much to worry about or the landowner, they get the check but they don't realize that there wouldn't be any way for oil companies to drill unless they leased the ground from the farmer. Now, I've purchased ground for the last 12 or 15 years and the purchase price included a mineral base. The original price eliminating the minerals would have been considerably less, so now I have no oil income, but I feel this tax is just at the tip of the iceberg. I was listening to Berglund last week when he said there would be nothing wrong with the grain farmer getting 90 percent or 100 percent of parity, we'll just put a windfall profit tax on there.

Now, if they can do it to the oil industry, they can do it to the rest of agriculture. They can do it to the rest of all the raw materials which is the base of our economy. The fact that they have done it to the oil industry is the fact that the farmer will have to be more watchful to make sure that they don't increase the price and then take it right back or take it back more than what they gave him.

The other thing I was wondering, I never heard it called an excise tax, the windfall profit tax. Is this actually an excise tax or is it classified as something else?

Senator DOLE. It's an excise tax, but very honestly, and many of us were very critical of the President every time he went on television he called it the windfall profit tax. If you're an average listener from a nonproducing region and somebody says oil producers making a windfall it has an impact. It's one of those words that you use when you want people to agree with you. This is not a windfall profit tax, it's not based on profit at all. You can lose money and still pay the tax. As Mr. David from Lenora testified earlier it's an excise tax purely and simply, not a windfall profit tax.

UNIDENTIFIED SPEAKER. If I buy a tire that has an excise tax on it, now this excise tax will be deducted from my income as an expense. Now, will that hold true as far as the excise tax on the oil?

Senator DOLE. Yes.

UNIDENTIFIED SPEAKER. And you deduct it from your income tax?

Senator DOLE. It's deductible but in some cases people don't have to pay any income tax so there's nothing to deduct it from.

UNIDENTIFIED SPEAKER. If I overpaid any taxes or have a rebate coming, would this money come back to me?

Senator DOLE. I do not know if it's refundable.

UNIDENTIFIED SPEAKER. Another thing, we're getting all these taxes, there's a windfall, there's a sales tax, there's a property tax. In our area we're trying to get a water district in. I think it's going to be 3 years now. We can't seem to be making much headway because of the redtape, bureaucracy. Is there anyway of speeding it up?

Senator DOLE. We can't do it at this hearing. I can get Morgan Williams to help you with that.

Mr. ANDREW LARSON. I'm Mr. Andrew Larson from Garden City. If you can spare the time, I'd like to make a statement, about 5 minutes.

Senator DOLE. Maybe you'd better put it in the record. Let me say that if anybody has any statements, just leave them at this desk and I want to thank all of those who have been here and those who have stayed throughout. We appreciate your coming. We're going to do our best to do something for you. Thank you.

The hearing is adjourned.

[Whereupon, the hearing was adjourned at 4:45 p.m.]

[By direction of the chairman the following communications were made a part of the hearing record:]

STATEMENT OF SENATOR NANCY LANDON KASSEBAUM

I appreciate the opportunity to submit my comments on this examination of the impact of the windfall profits tax bill on royalty owners, independent producers, and future domestic oil production.

I would like to initially address the inequitable treatment of royalty owners by this legislation. As those attending this hearing know, this law subjects royalty owners to the same tax rate that is applied to major oil companies—70 percent on old oil, 60 percent on stripper oil and 30 percent on newly discovered oil.

Many royalty owners are landowners or farmers fighting to survive in spite of low farm commodity prices and high interest rates. There is also a large group of retired persons dependent on their small royalty checks. Obviously, these individuals are not reaping windfall profits, nor were they the intended targets of the windfall tax.

In addition to these inequitable considerations, I am concerned that domestic oil production will be adversely affected if a substantial number of landowners refuse to enter into new leases because of the deduction of the windfall tax from their royalty interest. Therefore, I am pleased to be an original cosponsor of the Dole-Boren bill to exempt small royalty owners from the tax on 10 barrels per day of royalty interest. This exemption should cover the vast majority of the small royalty owners who will be most severely impacted by the imposition of the windfall tax.

Another major concern I have with the legislation is its treatment of independent producers. When the bill was originally approved by the Senate, there was an exemption from the tax for the first 1,000 barrels of daily production by independent producers. There were a number of compelling reasons for this exemption. Independent producers have historically been the leaders in reinvesting their revenue into the production of more energy. In the five years after 1973, independents spent 105 percent of their total revenues for finding, developing, and producing oil. Independents drill 90 percent of the exploratory wells and discover 75 percent of the significant oil reserves in the United States. They are vital to continued domestic oil production. Unfortunately, the bill as enacted does not contain this exemption. I fear this will cause an abandonment of wells, decreased domestic oil production and, therefore, increased reliance on foreign oil supplies. Such a result is clearly contrary to the direction in which we should be heading.

The witnesses here today will enhance our knowledge on these matters. I regret being unable to attend these hearings, but I eagerly await the opportunity to review their thoughts and the additional information they provide.

BETHESDA, MD., *May 16, 1980.*

U.S. SENATE, COMMITTEE ON FINANCE, SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT, 2227 *Dirksen Senate Office Building, Washington, D.C.*

Pursuant to the Press Release #H-24 of May 9, 1980 of the Subcommittee on Taxation and Debt Management, above referenced, I would like to submit the following statement:

As an individual holding a small royalty percentage interest in producing oil, developed and discovered in the 1960's by an Independent Producer, I am presently being taxed at the same rate as AMOCO, a giant company. The property, approximately 50 acres, located in the State of Texas, is a small farm which has been in my family for more than fifty years. I have been depending upon the production to supplement my social security and retirement income as a widow. I share one-third interest with my brother and sister.

The oil income is based upon approximately 1,000 barrels or less, per month and my percentage interest is not a great deal of money. The income from oil production is also used to pay local and state taxes on the land, and maintain the property in a conservative and constructive manner. Cotton farming has not been profitable in this area for quite a long time. There is no other steady income from the land holding. I understand that the purpose of the Windfa Tax when created and passed by the Congress was to prevent large Oil Compani from reaping tremendous profits. However, this legislation has created a unjust burden on individuals such as myself. My position is one of trying t maintain self-sufficiency in an environment of ever-increasing inflation, an definitely feel that the Windfall Profit Tax is unjust and inequitable for smal royalty owners.

My family has maintained this property for over a half-century and we hav had little control over a giant company buying up oil production in which w have a small interest, even though a small independent producer originall explored and discovered this field. The law taxes people in this position at th same rate as it does large oil corporations. It seems clear that this was not th original intent of the Windfall Profit Tax. I humbly and respectfully reques that your Committee consider giving complete, or at least partial tax relief t the owners of small acreage and royalty interests.

Respectfully submitted,

Mrs. Zoe M. Engler.

Wellsville, Kans., *May , 30, 1980.*

Mr. Michael Stern,
Staff Director,
Committee on Finance, Room 2227,
Dirksen Senate Office Building,
Washington, D.C.

Dear Mr. Stern: It was impossible for me to attend the hearings on exempt ing small royalty owners from the windfall profit tax which were held May 23r at Great Bend. The following statement will present my views on the matte and I would like them to be shared with the Subcommittee.

My wife and I own an eighty acre tract that has been leased for years. W receive the standard amount of one-eighth of the production. We are taxed at a 60-percent rate on the amount of difference between the guaranteed pric per barrel and the actual selling price per barrel. The independent producer that maintains and pumps the lease receives seven-eighths of the oil and is taxed at a 30-percent rate. The rate at which the royalty owner is taxed is the same rate that Exxon and other oil industry giants are taxed. This is unfair and has a direct negative influence on farmers ever leasing other land for oil exploration. This will hinder our domestic oil production and make us even more dependent upon the overseas oil barons.

Many royalty owners, including ourselves, with leased land receive 10 barrels per day or less. I believe a 10 barrel per day exemption would be very just. A 10 barrel production does not constitute an "oil baron". In reality I feel that the royalty owners should be exempt totally from the tax. If that is not possible the 10 barrel exemption would be a good compromise.

Bernard E. Nordling, executive secretary of the Southwest Kansas Royalty Owners Association, said that Kansas ranked seventh in the nation in oil production and that last year the state produced nearly 57 million barrels from about 43,500 wells. Of those wells, he said, about 41,500 were in the "stripper category" as are the wells on our lease.

Ralfe D. Reber, president of the Kansas Independent Oil and Gas Association (KIOGA) and owner of an independent oil company, said drilling activity in the state would level off and that abandonment of wells would accelerate as a result of the tax.

He estimated that 67 500 wells would be abandoned nationally over the next 10 years, resulting in a loss of 350 million barrels of oil.

It appears that we are being penalized by our own government for producing domestic oil. It looks like our government would rather wreck the American economy by importing 7.7 million barrels of foreign oil a day than see their innovative American people again bring this once great nation to a great "self-sufficient" nation.

We were planning on our royalty checks to supplement Social Security when we retired. At the present status, "there goes our retirement". We urge passage of Senate Bill No. 2521.

Sincerely,

Conrad and Linda Bertrand,
Kansas Land-Royalty Owners.

KANSAS STATE GRANGE,
OFFICE OF STATE MASTER,
Neodesha, Kans., May 23, 1980.

Mr. Senator DOLE and Mr. Senator BOREN: I am Lewis Cline, Master of the Kansas State Grange. I am semi-retired and still live on the farm near Fredonia in southeast Kansas.

I want to thank you for the opportunity to express my views and what I believe are the general feelings of the people of my State.

First of all it is commonly agreed that our nation is suffering from an energy, inflation and economic problem. There is no doubt that each one brings about or at least has a bearing on the other.

The so-called windfall profit tax bill is not what people were lead to believe it was. The big oil companies were the ones that the administration said they were going after. It would seem to me that the bill is bad energy wise and bad economically wise. It will reduce incentives for discovering new oil when we surely should be increasing them. It will thus reduce future domestic oil production at a time when our dependence on foreign sources of oil is so uncertain.

The bill is bad economically because it will place the largest tax in history on the American Consumer and this fuels the flames of inflation.

It seems that in the eagerness and desire to balance the budget we have some short sighted people in the administration. There are parts of the windfall profits bill that will effect many of our people adversely.

It has been estimated that there are 2 million small royalty owners throughout the United States that will be paying the same tax as the giant oil companies. I don't believe the President and some others realized how this harsh tax would affect these small royalty owners.

At least in Kansas, most royalty owners are working farmers, who are struggling to survive the squeeze of low income price of farm products and the exorbitant increase of costs, fuel, fertilizer, seed, repairs and etc. not to mention high interest rates. These people are dependent on the modest royalty checks they receive to weather the unfavorable farm market.

There are also a sizeable group of small royalty owners who are retired persons and dependent on this small income to supplement their social security payments.

I don't believe in the beginning it was intended that these individuals be the target of this unjust tax.

I do feel the proposed bill S 2521 by Senator Dole—Senator Boren and others to best rectify some of the injustice of H.R. 3919.

Respectfully submitted.

LEWIS R. CLINE.

LAS VEGAS, NEV., *May 26, 1980.*

Mr. MICHAEL STERN,
Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: I am enclosing five copies of letters with exhibits as required by the press release. Senator Dole has very kindly sent me the necessary information regarding the windfall profits tax.

We certainly hope that there will be an immediate change in this terrible law, and that there will be proper measures introduced to remove the tax from the over riding royalty owners and royalty owners.

Thanks and please submit our objections.

Very sincerely yours,

MELBURN G. COOPER.
EVELYN B. COOPER.

LAS VEGAS, NEV., *May 26, 1980.*

Mr. MICHAEL STERN,
Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: Please be good enough to present our views on the windfall profits tax effect on small royalty owners.

We are being charged at the rate of 60 percent which is crippling to us.

By exhibits 1 and 2 you will see that tax assessors are reappraising th property on which our small income interest is located. The interest we own o the property in Fort Bend County, Texas is .0046400. The tax was triple from $86.66 to $295.64.

The tax on our interest of .0046400 in Stafford, Texas, jumped from $300. to $1,059.75 This is only the independent school district tax. We have yet to hav the other taxes besides the wellhead taxes.

Exhibits 3 and 4 show on a check of $1,298.59, the windfall profits tax i $437.56, leaving a net of $861.03. This is on the small interest .0046400, and o another piece of property in Saratoga, Hardin County, Texas for one mont on an interest of one-sixth of one-third, the windfall profits tax is $1,915.94.

The windfall profits tax should be labeled "The OPEC Aid Act of 1979". I is actually an excise or sales tax on U.S. crude oil revenues and it is aimed a hurting the small royalty owners and seniors who depend on these checks fo their living. We are senior citizens dependent upon this income for our living We are faced with terrible inflation, high prices, and now the tax assessor are killing us with tripled taxes, and this is only the beginning.

This tax is not the way to encourage more producers to explore for oil. A this time local, State and Federal Governments receive from 50 to 60% of an rise in the wellhead crude oil prices thru existing taxes shown on exhibits 3 and 4. This already tax is excessive, and it should also be removed.

Furthermore we feel this is taxation without representation. It is ruining th independent oil operators. There is no incentive to drilling wells merel to pay more taxes, and support the whole world. We are beginning to be eve more dependent on OPEC. Their economy progresses while ours becomes brok and poor. Why are our misguided representatives never thinking a tax thru they just do not realize the implications of these problems.

I feel that this tax should be entirely removed from the royalty owners wh can least afford it. The tax imposed on us is one that only big oil companie should and can pay, not the senior citizens who have worked all their live and been good Americans and paid their taxes to support all the waste in th government, for if only a portion of the waste was eliminated, there would b no necessity for such an outrageous tax on royalty owners who are mostl senior citizens, and who can least afford it, and like us, depend on this royalt to live on. The decontrol has done absolutely no good. It has hurt us worse tha before decontrol.

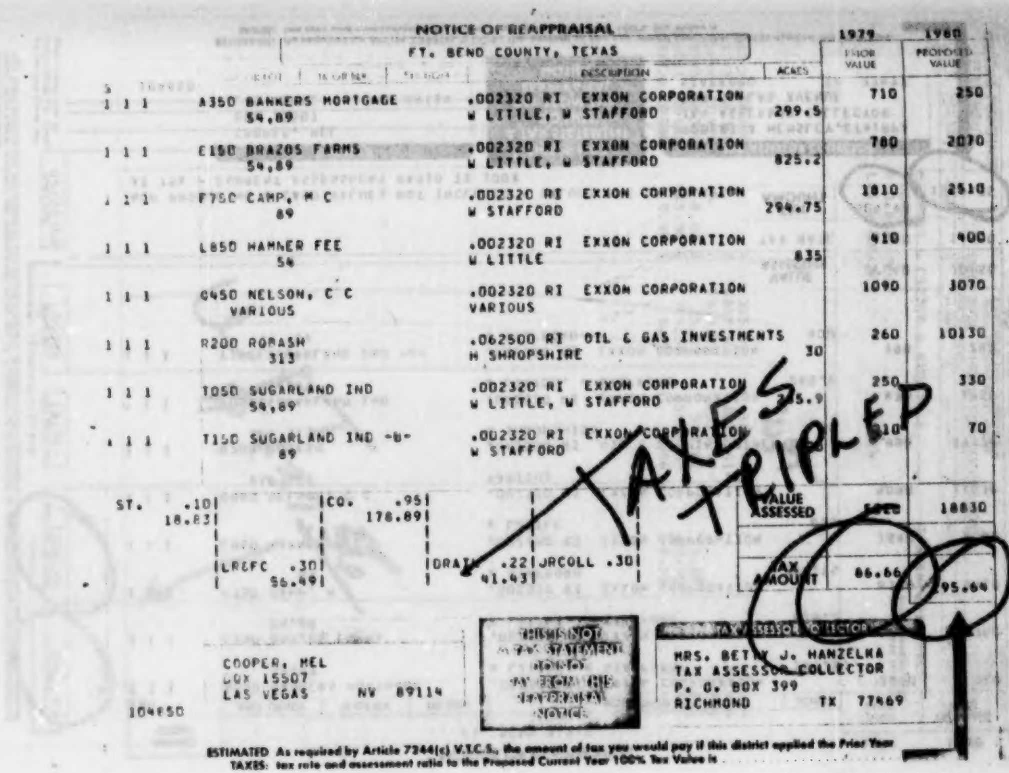
The OPEC Aid Act has only helped the greedy countries who are taking away our rights and treating us like third class citizens.

If it were not for our knowledge and help these OPEC countries would stil be deserts.

In addition to all the taxes on our small royalty we still have to pay county taxes, income taxes etc., etc., etc.

Your consideration of the entire removal of this royalty tax on us and ou overriding royalty tax would be most appreciated and helpful. I am sure tha none of our representatives in Congress want to deliberately hurt our people while helping all the immigrants and unwelcome people coming to our country This must be stopped also, it is ruining our economy too. Your consideratio will be most appreciated, and please be good enough to advise us of the actio taken by the committee meeting.

MELBURN G. COOPER.
EVELYN B. COOPER.



NOTICE OF REAPPRAISAL

FT. BEND COUNTY, TEXAS

		DESCRIPTION	ACRES	1979 PRIOR VALUE	1980 PROPOSED VALUE
1 1 1	A350 BANKERS MORTGAGE 54,89	.002320 RI EXXON CORPORATION W LITTLE, W STAFFORD	299.5	710	250
1 1 1	E150 BRAZOS FARMS 54,89	.002320 RI EXXON CORPORATION W LITTLE, W STAFFORD	825.2	780	2070
1 1 1	F750 CAMP, M C 89	.002320 RI EXXON CORPORATION W STAFFORD	294.75	1810	2510
1 1 1	L850 HAMNER FEE 54	.002320 RI EXXON CORPORATION W LITTLE	835	410	400
1 1 1	0450 NELSON, C C VARIOUS	.002320 RI EXXON CORPORATION VARIOUS		1090	3070
1 1 1	R200 RORASH 313	.062500 RI OIL & GAS INVESTMENTS H SHROPSHIRE	30	260	10130
1 1 1	T050 SUGARLAND IND 54,89	.002320 RI EXXON CORPORATION W LITTLE, W STAFFORD	[illegible]5.9	250	330
1 1 1	T150 SUGARLAND IND -B- 89	.002320 RI EXXON CORPORATION W STAFFORD		[illegible]10	70
			VALUE ASSESSED	[illegible]	18830
			TAX AMOUNT	86.66	295.64

ST. .10 18.83	LR&FC .30 56.49	CO. .95 178.89	DRAIN .22 41.43	JRCOLL .30

TAXES TRIPLED

COOPER, MEL
BOX 15507
LAS VEGAS NV 89114

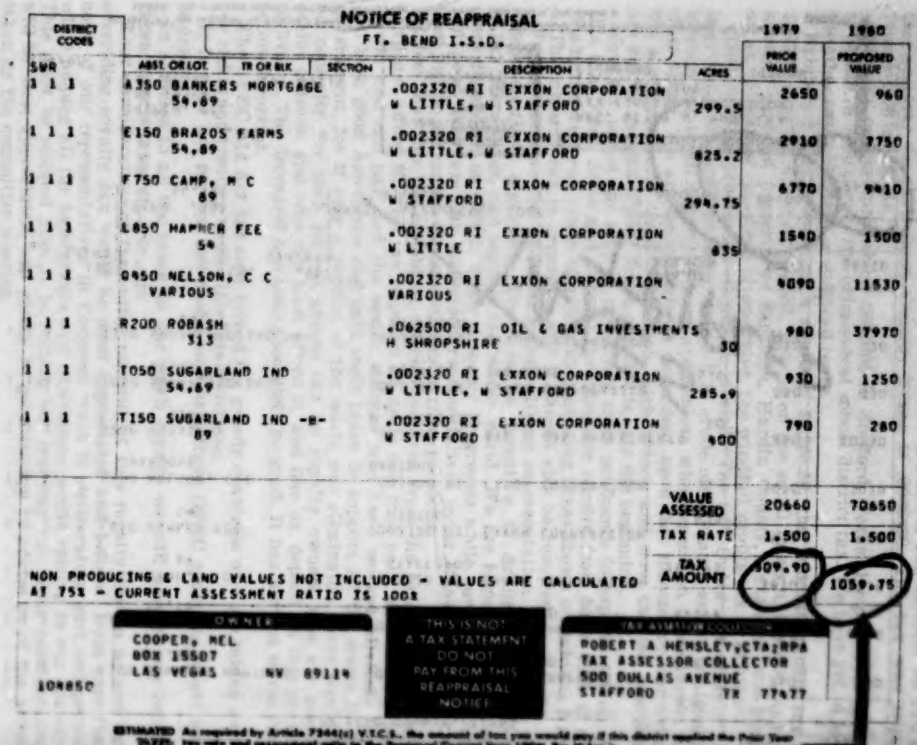
104850

THIS IS NOT
A TAX STATEMENT
DO NOT
PAY FROM THE
REAPPRAISAL
NOTICE

TAX ASSESSOR COLLECTOR

MRS. BETTY J. HANZELKA
TAX ASSESSOR COLLECTOR
P. O. BOX 399
RICHMOND TX 77469

ESTIMATED TAXES: As required by Article 7244(c) V.T.C.S., the amount of tax you would pay if this district applied the Prior Year tax rate and assessment ratio to the Proposed Current Year 100% Tax Value is . . . .



NOTICE OF REAPPRAISAL

FT. BEND I.S.D.

DISTRICT CODES SWR	ABST OR LOT	TR OR BLK	SECTION	DESCRIPTION	ACRES	1979 PRIOR VALUE	1980 PROPOSED VALUE
1 1 1	A350 BANKERS MORTGAGE 54,89			.002320 RI EXXON CORPORATION W LITTLE, W STAFFORD	299.5	2650	960
1 1 1	E150 BRAZOS FARMS 54,89			.002320 RI EXXON CORPORATION W LITTLE, W STAFFORD	825.2	2910	7750
1 1 1	F750 CAMP, M C 89			.002320 RI EXXON CORPORATION W STAFFORD	294.75	6770	9410
1 1 1	L850 HAMNER FEE 54			.002320 RI EXXON CORPORATION W LITTLE	835	1540	1500
1 1 1	O450 NELSON, C C VARIOUS			.002320 RI EXXON CORPORATION VARIOUS		4090	11530
1 1 1	R200 ROBASH 313			.062500 RI OIL & GAS INVESTMENTS H SHROPSHIRE	30	980	37970
1 1 1	T050 SUGARLAND IND 54,89			.002320 RI EXXON CORPORATION W LITTLE, W STAFFORD	285.9	930	1250
1 1 1	T150 SUGARLAND IND -B- 89			.002320 RI EXXON CORPORATION W STAFFORD	400	790	280
					VALUE ASSESSED	20660	70650
					TAX RATE	1.500	1.500
					TAX AMOUNT	309.90	1059.75

NON PRODUCING & LAND VALUES NOT INCLUDED - VALUES ARE CALCULATED AT 75% - CURRENT ASSESSMENT RATIO IS 100%

OWNER

COOPER, MEL
BOX 15507
LAS VEGAS NV 89119

108850

THIS IS NOT A TAX STATEMENT DO NOT PAY FROM THIS REAPPRAISAL NOTICE

TAX ASSESSOR COLLECTOR

ROBERT A HENSLEY,CTA;RPA
TAX ASSESSOR COLLECTOR
500 DULLAS AVENUE
STAFFORD TX 77477

ESTIMATED As required by Article 7244(c) V.T.C.S., the amount of tax you would pay if this district applied the Prior Year

OIL/GAS PURCHASE STATEMENT

EXXON COMPANY, U.S.A.
A DIVISION OF EXXON CORPORATION
ROYALTY OWNER RELATIONS
P. O. BOX 2024 — HOUSTON, TEXAS 77001

This statement should be retained for tax purposes

MELBURN G COOPER & EVELYN B
COOPER
P O BOX 19507
LAS VEGAS NEV 89114

IDN 181791 PAGE 2

CHECK COVERING THESE ITEMS MAILED SEPARATELY

WPT

DIVISION ORDER NO		QUANTITY		TOTAL FOR PROPERTY TAX BASIS	NET VALUE	YOUR PART GROSS VALUE	NET VALUE
03793	00380		[illegible]	315.96	315.96-		0.74-
03793	00380		[illegible]	6865.91	6865.51-		15.93-
03793	00480		[illegible]	5313.90	5313.90-		12.32-
03793	00380	0.00	[illegible]	25.39	526.61	1.28	1.22
03793	00480	415.00	[illegible]	749.30	15522.85	37.75	36.02
03793B	00380	0.95	[illegible]	0.29	6.06	0.01	0.01

WPT
$437.56

When writing, refer to Division Order No., Check No. and your Owner No.

05/20/80	50706	181791	1298.59	$861.03

*B-Barrels of oil, M-Mcf of gas

**Minus sign (−) indicates deduction

NOTE: EXXON BELIEVES THAT THE PAYMENTS LISTED ON THIS STATEMENT HAVE BEEN CALCULATED CORRECTLY IN ACCORDANCE WITH APPLICABLE GOVERNMENTAL PRICING REGULATIONS. HOWEVER, ANY AMOUNTS PAID WHICH MAY BE DETERMINED TO BE IN EXCESS OF THOSE ALLOWED UNDER LAWFUL REGULATIONS ARE SUBJECT TO RECOVERY.

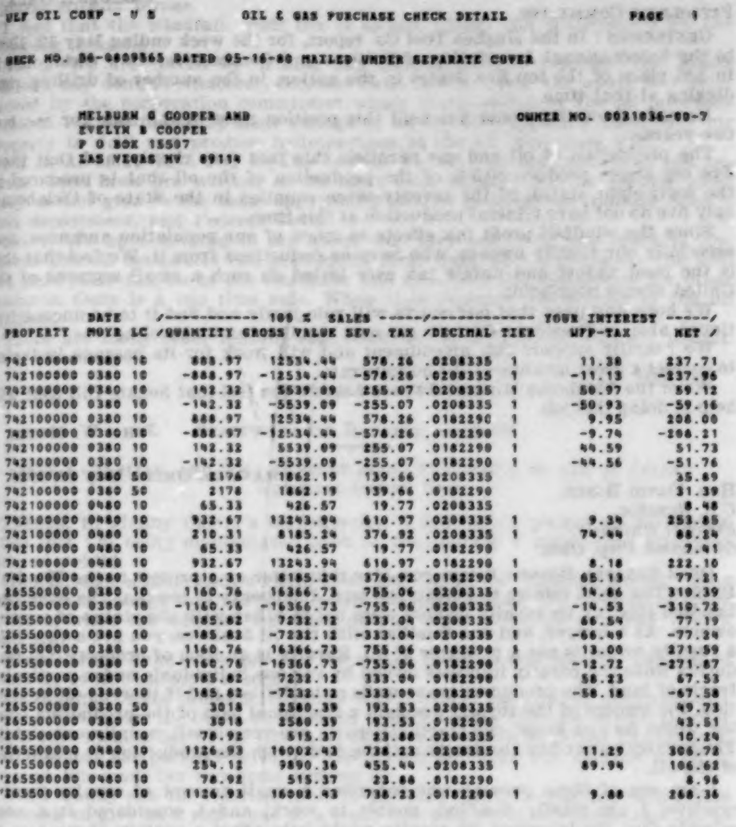
GULF OIL CORP - U S OIL & GAS PURCHASE CHECK DETAIL PAGE 3

CHECK NO. 56-0809566 DATED 05-16-80 MAILED UNDER SEPARATE COVER

	DATE		100 % SALES			YOUR INTEREST			
PROPERTY	MOYR	LC	QUANTITY	GROSS VALUE	SEV. TAX	DECIMAL	TIER	WPP-TAX	NET
7265500000	0480	10	254.12	9890.36	455.44	.0182290	1	78.70	93.29
7457700000	0380	10	573.12	8080.99	372.81	.0208335	1	7.34	153.25
7457700000	0380	10	-573.12	-8080.99	-372.81	.0208335	1	-7.18	-153.41
7457700000	0380	10	91.74	3570.54	164.42	.0208335	1	32.85	38.11
7457700000	0380	10	-91.74	-3570.54	-164.42	.0208335	1	-32.83	-38.13
7457700000	0380	10	573.12	8080.99	372.81	.0182290	1	6.41	134.10
7457700000	0380	10	-573.12	-8080.99	-372.81	.0182290	1	-6.28	-134.23
7457700000	0380	10	91.74	3570.54	164.42	.0182290	1	28.75	33.34
7457700000	0380	10	-91.74	-3570.54	-164.42	.0182290	1	-28.72	-33.37
7457700000	0380	50	1593	1362.02	102.15	.0208335			26.25
7457700000	0380	50	1593	1362.02	102.15	.0182290			22.96
7457700000	0480	10	42.62	278.30	12.87	.0208335			5.52
7457700000	0480	10	608.45	8639.98	398.58	.0208335	1	6.08	165.61
7457700000	0480	10	137.21	5340.21	245.91	.0208335	1	48.56	57.58
7457700000	0480	10	42.62	278.30	12.87	.0182290			4.84
7457700000	0480	10	608.45	8639.98	398.58	.0182290	1	5.39	144.89
7457700000	0480	10	137.21	5340.21	245.91	.0182290	1	42.50	50.35
7468200000	0380	10	1824.21	25721.35	1186.59	.0208335	1	23.35	487.80
7468200000	0380	10	-1824.21	-25721.35	-1186.59	.0208335	1	-22.84	-488.31
7468200000	0380	10	292.05	11366.58	523.40	.0208335	1	104.59	121.32
7468200000	0380	10	-292.05	-11366.58	-523.40	.0208335	1	-104.51	-121.40
7468200000	0380	10	1824.21	25721.35	1186.59	.0182290	1	20.43	426.81
7468200000	0380	10	-1824.21	-25721.35	-1186.59	.0182290	1	-19.99	-427.25
7468200000	0380	10	292.05	11366.58	523.40	.0182290	1	91.51	106.14
7468200000	0380	10	-292.05	-11366.58	-523.40	.0182290	1	-91.44	-106.21
7468200000	0380	50	1593	1362.02	102.15	.0208335			26.25
7468200000	0380	50	1593	1362.02	102.15	.0182290			22.96
7468200000	0480	10	124.34	811.94	37.59	.0208335			16.14
7468200000	0480	10	1775.39	25210.56	1163.00	.0208335	1	17.78	483.21
7468200000	0480	10	400.34	15581.23	717.48	.0208335	1	141.70	167.96
7468200000	0480	10	124.34	811.94	37.59	.0182290			14.11
7468200000	0480	10	1775.39	25210.56	1163.00	.0182290	1	15.57	422.88
7468200000	0480	10	400.34	15581.23	717.48	.0182290	1	123.98	146.97
								--------	--------
						CHECK TOTAL			3387.73

Interest 1/16 of 1/3rd

WPT 1915-94



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ULF OIL CORP - U S          OIL & GAS PURCHASE CHECK DETAIL              PAGE   1

ECK NO. 06-0809565 DATED 05-16-80 MAILED UNDER SEPARATE COVER


        MELBURN G COOPER AND                                OWNER NO. 0031036-00-7
        EVELYN B COOPER
        P O BOX 15507
        LAS VEGAS NV  89114




          DATE   /----------- 100 %  SALES -----/------------ YOUR INTEREST -----/
PROPERTY  MOYR LC /QUANTITY GROSS VALUE SEV. TAX /DECIMAL TIER     WFP-TAX       NET /

742100000 0380 10     888.97   12534.44   578.26 .0208335  1         11.38     237.71
742100000 0380 10    -888.97  -12534.44  -578.26 .0208335  1        -11.13    -237.96
742100000 0380 10     142.32    5539.09   255.07 .0208335  1         50.97      59.12
742100000 0380 10    -142.32   -5539.09  -255.07 .0208335  1        -50.93     -59.16
742100000 0380 10     888.97   12534.44   578.26 .0182290  1          9.95     208.00
742100000 0380 10    -888.97  -12534.44  -578.26 .0182290  1         -9.74    -208.21
742100000 0380 10     142.32    5539.09   255.07 .0182290  1         44.59      51.73
742100000 0380 10    -142.32   -5539.09  -255.07 .0182290  1        -44.56     -51.76
742100000 0380 50       2176    1862.19   139.66 .0208335                      35.89
742100000 0380 50       2176    1862.19   139.66 .0182290                      31.39
742100000 0480 10      65.33     426.57    19.77 .0208335                       8.48
742100000 0480 10     932.67   13243.94   610.97 .0208335  1          9.34     253.85
742100000 0480 10     210.31    8185.24   376.92 .0208335  1         74.44      88.24
742100000 0480 10      65.33     426.57    19.77 .0182290                       7.41
742100000 0480 10     932.67   13243.94   610.97 .0182290  1          8.18     222.10
742100000 0480 10     210.31    8185.24   376.92 .0182290  1         65.13      77.21
265500000 0380 10    1160.76   16366.73   755.06 .0208335  1         14.86     310.39
265500000 0380 10   -1160.76  -16366.73  -755.06 .0208335  1        -14.53    -310.72
265500000 0380 10     185.82    7232.12   333.04 .0208335  1         66.54      77.19
265500000 0380 10    -185.82   -7232.12  -333.04 .0208335  1        -66.49     -77.24
265500000 0380 10    1160.76   16366.73   755.06 .0182290  1         13.00     271.59
265500000 0380 10   -1160.76  -16366.73  -755.06 .0182290  1        -12.72    -271.87
265500000 0380 10     185.82    7232.12   333.04 .0182290  1         58.23      67.53
265500000 0380 10    -185.82   -7232.12  -333.04 .0182290  1        -58.18     -67.58
265500000 0380 50       3018    2580.39   193.53 .0208335                      49.73
265500000 0380 50       3018    2580.39   193.53 .0182290                      43.51
265500000 0480 10      78.92     515.37    23.88 .0208335                      10.24
265500000 0480 10    1126.93   16002.43   738.23 .0208335  1         11.29     306.72
265500000 0480 10     254.12    9890.36   455.44 .0208335  1         89.94     106.62
265500000 0480 10      78.92     515.37    23.88 .0182290                       8.96
265500000 0480 10    1126.93   16002.43   738.23 .0182290  1          9.88     268.36
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Crescent, Okla.

Petroleum Committee.

Gentlemen: In the Hughes Tool Co. report, for the week ending May 12, 1980, to the International Association of Drillers and Contractors, show Oklahoma is in 3rd place of the top five States in the nation, in the number of drilling rigs, digging at that time.

Records show Oklahoma has held this position most of the time for the last two years.

The production of oil and gas parallels this fact very closely, and that these five top states produce 80.3% of the production of the oil that is produced in the forty-eight states, of the seventy-seven counties in the State of Oklahoma, only five do not have mineral production at this time.

Since the windfall profit tax effects so much of our population and area, and especially our royalty owners, who have no deductions from it. We feel that this is the most unjust and unfair tax ever levied on such a small segment of the United States population.

We hope and pray that our courts will rule justly and find it to be unconstitutional, also, as President Carter's ten cent a gallon tax on gasoline was.

We heartily support this amendment and will work for its passage in trying to correct a great mistake of the bureaucrats.

We of the Oklahoma Mineral Owners Association feel that Senate Bill 2521 will help in doing this job.

John W. Myers.

Shawnee, Okla., *May 22, 1980.*

Hon. David Boren,
U.S. Senator,
Federal Building,
Oklahoma City, Okla.

Dear Senator Boren: Please consider this letter as a protest to the Windfall Profits Tax as it relates to royalty owners. It appears to me that the ones who imposed this tax on royalty owners were not familiar with the status of royalty owners. As a lawyer, and one familiar with the oil business, you are aware that a royalty owner is not a producer of oil. Royalty is an item of property. Oil producers lease the royalty interests owned by various individuals under particular tracts of land. The producers cause wells to be drilled, and if there is oil production, the owners of the royalty are paid a fractional part of the production from the wells. As you know, the fractional parts are very small, usually one-eighth. The royalty owner has absolutely nothing to do with the production or marketing of the oil.

I am one of those persons who inherited a small amount of royalty from a relative. I am totally disabled, unable to work, and I considered it a near miracle that the inherited oil royalty might help offset a portion of my loss of income due to a heart attack. I have a family to support and obligations to meet; and I had projected the anticipated income, prepared a budget, and resigned myself to a much lower standard of living based upon my new source of income, a small amount of production from my recently inherited royalty. But, tragedy again struck. Congress enacted the Windfall Profits Tax and immediately took a very large portion of the income which I had expected to use to offset living expenses.

I simply cannot live on the reduced income as a result of the Windfall Profits Tax. As a very independent person who has always been self-sufficient, I had refused to apply for Social Security or other welfare type of benefits, and I had expected to make my own way without being on the government teat. But now it appears that I will be forced to join the many thousands of others who are living off of those who produce the income in our nation. This I would not have to do if royalty owners were exempt from the Windfall Profits Tax.

Please help me retain my dignity, self-respect, and independence by removing the Windfall Profits Tax in order that my family and I might live on our own income rather than from taxes paid by others who are more able than I to work.

Very respectfully,

Carl E. Jacobs.

Honorable Senators David Boren and Robert Dole: I am an Okla. land and mineral royalty owner.

I feel that the windfall profit tax is unjust, illegal and confiscatory for the following reasons:

No. 1. We are forced by drilling and pooling laws to liquidate our assets without any control whatever, because Okla. law to cover the above is administered by the corporation commission which is controlled by the oil interests.

No. 2. We are forced by their rulings to let the oil companies move onto our property to drill and produce hydrocarbons at the oil companies will.

No. 3. As small land and royalty owners we have no due process of law because these laws are written so we can't even bargain for the highest offer. They do not give us the same opportunity that is granted the Indians, School, land department, and Federal Govt.

No. 4. We have nothing to say about who they sell to or how much is produced. The oil companies can produce in large quantities and deplete the well and pass their tax on to the consumer and also take tax deductions for other ventures. Ours is a one time sale. When it is depleted we are out of the oil business.

There are many other reasons that could be listed but time will not permit.

Sincerely,

L. H. Heiline.

Statement of Pauline Harbert

HOW I GOT HERE, AND WHY I RESENT BEING THE VICTIM OF THE SO CALLED WINDFALL-PROFIT TAX

Thanks, to Jimmy Carter's maneuvering, I feel like a puppet on his string. I feel like I'm being manipulated back to the poverty I knew—and struggled with, as a child.

My Dad used a mule with a chain to arrange rocks for "jumping stones." They weren't close enough together to be called "stepping stones" We crossed the creek on them, when the weather was nice, on our three mile hike to school, over a dirt road.

When it rained the creek got over the stones, the road was muddy—and Daddy would let us ride the mule to school.

An example of the mules intelligence was provided one day, as she cautiously put one foot before the other, carrying us down a muddy hill—my Sister, Brother and I were kicking her in the ribs in an effort to get her to go faster. In exasperation, she lost her patience with us. She ducked her head and dumped us off in the mud. She made her way home without us.

When Daddy saw the riderless mule by the yard fence, he rode her back across the creek to give us a ride—one at a time. Our feet got clean—shoes and all, as they dangled in the water. The rest of us got dunked in a "wash tub"—chattering teeth and all, when we got home.

Life on a farm in Oklahoma for a family of ten, wasn't all fun and games. But we survived better than a lot of people during the 20's and 30's—We didn't "go hungry"— and we didn't have time to get into trouble.

Our day started at 4:30 a.m. By the time we fed pigs, got the mules ready for the field and milched as many as six cows, Mother had a breakfast of fluffy biscuits, ham or sausage, scrambled eggs and gravy ready for us. Her theory was "If you eat a better breakfast—you'll do a better job." Her contention must have some merit, now her eight children are in their twilight years, and we are all still healthy enough to do a day's work.

Mother was of Dutch and German descent. She was a great cook, innovative and resourceful. We knew it was Spring—when the Poke Salad hit the table—Prepared in a ½ dozen different ways.

When we killed hogs in the fall, along with all the preservation of the meat, we made a year's supply of "lye" soap. Mother never believed that being "poor" was an excuse for being "dirty." The dirty people who whine poverty now—don't really know what being poor is really like.

Our clothes got a lye soap scrubbing—on a "rub-board." They were hung on the yard fence to dry. We got our scrubbing in the same tubs, with the same soap—after they were refilled from the creek, and heated on the wood stove.

During the school part of the year, cutting wood for the heater, as well as the cook stove was an evening chore, along with feeding the chickens, gathering the eggs, feeding the pigs, milching the cows—plus un-harnessing the mules and feeding them. After feeding ourselves, we would be ready for bed at 9 o'clock. Friday night was my favorite supper—milk and mush!

Our Mother never set a table with an apology. She could serve pinto beans, cornbread and a glass of milk—with gusto. Our Dad didn't tolerate anyone sitting at the table to say "I don't like that" He didn't ask, He would tell us to leave the table, with the remark—"You can come back next meal—so you can find out how good it is."

I had a cotton sack hung on my back when I was eight years old. The most I ever picked in one day was 143 pounds, when I was 11. When we got our cotton picked, we could pick the neighbors for our money to buy our school clothes. Mother would make our two dresses, two slips, and two pair of black sateen bloomers, plus a coat—on a treadle sewing machine. We got one pair of shoes a year. Our rib socks were long enough to come above our knees—so they could keep our "long-handles" from rolling up.

Did you ever go to a school where all the kids smelled like either—new overalls or black sateen bloomers? You missed an experience. Our $2.98 shoes from J. C. Penny, were better made than the ones we pay $40.00 for now.

We bought sugar in 100 lb. sacks. Mother made our "work" dresses out of them. One of mine had a big holly wreath on my back. Across my rear was printed "100 lbs. of pure can sugar" I took such a ribbing—Dady bought a package of navy blue dye, so Mother could camofluage the lettering.

My Parents were a proud people. They walked tall. They had a fear of God and a respect for themselves. They asked for nothing they didn't earn. They worked hard. They taught their children "If you don't make it today—you get up a little earlier tomorrow and try a little harder." They never suggested by example or implication that if we sat on our rear long enough—the "government" would provide—by using our working neighbors hard-earned money.

The "Government" does confiscate for that purpose.

Do you suppose if we printed on all "government" Handout checks "You did not earn this money—it comes to you through the benevolence of your working neighbor."—it might influence some of the ones who are able to get a job?

I'd like to see it tried.

Yes, Mr. Carter I am disillusioned with you. After working 54 years, chopping cotton and picking it, hoeing corn and gathering it, feeding animals, shocking oats, gathering cane to make molasses, a waitress, a beauty operator, service station attendant, Western Union operator, a motel manager for 18 years, plus I followed a Sailor from coast to coast, including Hawaii and Alaska, while I was rearing our four children. (His battle station—was Captain's talker on the bridge of the USS *Yorktown*, during the battle of Midway—where the Mighty Lady slipped beneath the waves.)

I'm not complaining about my life—its been Happy, interesting and productive. I am complaining about what you are doing to it. With the help of people like Ralph Nadar, George McGovern, Javits, Ted Kennedy, and Ed Muskie—plus others like them, you are turning my life—and a few million other people's—into a shamble.

I looked forward to relaxing in my old age—back on a farm, watching my Grandchildren grow. You've got inflation so high it looks like I'll either be back on a mule for transportation, or be your ward in one of the "government" institutions.

What a prospect.

The "wind" didn't drop any "profit" on me—for you and a bunch of ignorant leeches in Washington to confiscate—in the name of taxes.

But then that's what taxes are—confiscation of private property.

I paid $50,000 for my interest in the oil business. I didn't enjoy any luxuries while I was paying it either, and I worked long hours, so there was a sacrifice for the compensation.

The "government" taxed my earnings while I was buying—No one from the IRS suggested, that since I was planning for my retirement that I should be allowed to keep some of the taxes. Since the "government" has nothing invested in my investment, I don't feel that you should practice "legal robbery"—to take it from me.

I don't mind contributing to the effort of trying to satisfy the need for the needy—but I'm fed up to my eyeballs with trying to satisfy the greed of the greedy.

I'll resent giving up the luxury of my comfortable car. I'm too old to walk far, and I don't think I could make it to get on a mule again. I'll resent giving up the comfort of my home—even though it is only four rooms—plus baths.

Is your objective the destruction of what has always been considered the land of opportunity??? If so, your children and Grandchildren will be the victims—the same as mine. Does that idea appeal to you???

Where is the justice?

TULSA, OKLA., *May 22, 1980.*

Hon. DAVID L. BOREN,
440 Russell Office Building,
Washington, D.C.

DEAR SIR: Please consider my protest of the excessive taxation brought about by extending the "Windfall Profit" Tax to virtually my sole source of income—my royalty share of oil production. It is already subject to State Production Tax, Ad Valorem Tax and Federal Income Tax.

This is from land in Ector County, Texas that has been producing since 1936 and, like me, (I am 65 years old Senior Citizen) is nearing depletion. When it is depleted, probably prematurely as the result of excessive taxation, I will not be like the big production companies who can move on to newer finds—my oil income is simply finished.

Because of the price controls in effect for the past several years, I have consistently fallen behind other's whose income has been consistently increased by inflation and normal growth. Most of my income is still derived from $6.00 a barrel oil while prices of everything I buy has been and is continuing to shoot upward. Without a meaningful price increase in this income, I have no other way to possible keep up with inflation.

I have been unfairly exploited for too long. There is no way a thoughtful, reasoning legislature can compare my situation in the same light as that of a major, integrated oil company, or of even any oil producer for that matter.

Your proposed exemption of ten barrels per day of an individual's royalty oil from the Windfall Tax is, as evidenced by the above, of utmost importance to me. Please pursue that end with every effort at your disposal. You have demonstrated understanding of the facts of this whole situation and, as one of your constituency, you have my respect and support. I am proud to have you represent us.

Sincerely yours,

ROZELLA H. BYARS.

DALLAS, TEX., *May 21, 1980.*

SENATORS DAVID BOREN OF OKLAHOMA AND ROBERT DOLE OF KANSAS: It is my desire to give the following statement to the Senate Committee regarding the burden of the Windfall Profit Tax to the small Royalty Owners across the nation.

Please be reminded that small royalty owners are those who own mineral rights which have been leased to producer-operators. The royalty owner retains one-eighth interest in production at the most and may receive royalty payments on one well or more. Some royalty owners who have heired their interest may have a decimal interest so small you can not see the number for the ZEROS:

On the otherhand, operators have fields, of which they have seven-eighths interest, for which they receive royalty payments. Simple mathematics tell you that the more you have, the more you receive.

I am familiar with small royalty owners who receive royalty payments in these denominations: $40.00, 300.00, 500.00, 1,000.00 and upward to $3,000.00. In each case, after the windfall profit tax and sales tax was deducted, they net approximately fifty percent of this gross, depending on the tier which their production is from. Many of these people are on fixed income. One is a divorcee, supporting four children who receives approximately $30.00 after tax. And they call that "big oil":

While it is impossible for me to know the circumstance of every individual, the information received from tax consultants state that some wells can be taxed up to ninety percent of the net profit. With only 10% left, to sustain oneself would obviously leave that royalty owner standing outside the Salvation Army.

The royalty owner is in the position of which he has no control. The operator determines the price which the oil will be sold. The operator determines the production within allowables and capabilities. The royalty owner is at the mercy of the Operator, Railroad Commission the Federal Government—but in the case of the Windfall Profit Tax, found no one had mercy on him:

Royalty Owners are facing Federal Income Taxes, Personal Property Taxes, State Sales Taxes and infamous insults created by those in Congress who imposed the Windfall Profit Tax with snide remarks declaring "Big Oil" profits are "obscene", etc. Because of the Windfall Profit Tax, increased taxes will be assessed, while the Federal Government has confiscated a marginal percentage of the profit which they so graciously permitted to occur with deregulation.

Royalty Owners are faced with a straight tax rate, for most cases, there is relatively any deduction. The only specific ones for small Royalty Owners is (1) State Sales Tax, (2) Depletion, (3) Windfall Profit Tax, (4) Solar Energy, and (5) Transportation. In the case of the last two, few could involve themselves in either with what is left for investment. These deductions as do all, cost 100 percent.

From certain publications which I have read, the royalty owners representation ceased in both Houses when it was determined certain areas would be penalized, or lose some of their credits or deductions if exemptions were given in favor of the royalty owners. Therefore, "small royalty owners were left to pay through the nose."

By letter, the Internal Revenue Service informs me royalty owners are producers and in fact are obligated to the Windfall Profit Tax the same as Operators. Royalty Owners should receive equalized deductions; however, they do not have operating expenses and could not ask for the exact deduction. To equalize, additional exemptions could result through this proposal by Senators Boren and Dole, allowing a 10 brl. per day exemption from the Windfall Profit Tax on all taxable sales.

This 10 brl. per day would have little effect on the small royalty owner who receives $40.00 gross per month; however, it can be recognized that royalty owner is receiving royalty for approximately one barrell of oil per month— at $40.00 per brl. One can hardly call that "obscene." But, as it now stands, the royalty owner must be taxed at one of the tax rates of 30–60–70 percent.

Attached are the signatures of some Royalty Owners whom I have been able to contact on this short notice and have expressed a desire to be represented at this hearing through my testimony.

It is our sincere desire that those representing small royalty owners will be able to convince the Congress that the Windfall Profit Tax places a dispicable burden or injustice on many American citizens, who happen to be fortunate in possessing a small interest in what once was the World's most prized and glamorous resource—Oil. It has fed many families, made them self-sustaining, and boosted the economy.

In a time when inflation has reached an all time high, when interest rates and credit are prohibited and recession knocks at our door—the Federal Government sees fit to take from those who have some purchasing power, who could stimulate the economy—and distribute in grants and speculations which may become a total waste.

This tax was created supposedly to curb inflation. However, when a goal of 227 billion dollars over a period of ten years is speculated at $40.00 per brl. and upward, there cannot possibly be any hope of any deflation before 1993.

JOHN R. W. ALEXANDER.

Attachments.

MAY 23, 1980.

This is to authorize J. R. Alexander to testify in my behalf at a hearing in Oklahoma City, Oklahoma on May 23, 1980, conducted by Senators David L Boren and Robert Dole, who are seeking support of their bill to exempt smal royalty owners from the Windfall Profit Tax.

ANNIE MAE PICKERD.

MAY 23, 1980.

This is to authorize J. R. Alexander to testify in my behalf at a hearing in Oklahoma City, Oklahoma on May 23, 1980, conducted by Senators David L Boren and Robert Dole, who are seeking support of their bill to exempt smal royalty owners from the Windfall Profit Tax.

IMOGENE M. GLENN.
ARNOLD GLENN.

May 23, 1980.

This is to authorize J. R. Alexander to testify in my behalf at a hearing in Oklahoma City, Oklahoma on May 23, 1980, conducted by Senators David L. Boren and Robert Dole, who are seeking support of their bill to exempt small royalty owners from the Windfall Profit Tax.

Mrs. G. W. Heard.
G. W. Heard.

May 23, 1980.

This is to authorize J. R. Alexander to testify in my behalf at a hearing in Oklahoma City, Oklahoma on May 23, 1980, conducted by Senators David L. Boren and Robert Dole, who are seeking support of their bill to exempt small royalty owners from the Windfall Profit Tax.

W. V. Rogers.
Beulah M. Rogers.

May 23, 1980.

This is to authorize J. R. Alexander to testify in my behalf at a hearing in Oklahoma City, Oklahoma on May 23, 1980, conducted by Senators David L. Boren and Robert Dole, who are seeking support of their bill to exempt small royalty owners from the Windfall Profit Tax.

G. W. Taylor, Jr.
Bobbie Morgan Taylor.

May 23, 1980.

This is to authorize J. R. Alexander to testify in my behalf at a hearing in Oklahoma City, Oklahoma on May 23, 1980, conducted by Senators David L. Boren and Robert Dole, who are seeking support of their bill to exempt small royalty owners from the Windfall Profit Tax.

George Morris.
Gracie Morris.

May 23, 1980.

This is to authorize J. R. Alexander to testify in my behalf at a hearing in Oklahoma City, Oklahoma on May 23, 1980, conducted by Senators David L. Boren and Robert Dole, who are seeking support of their bill to exempt small royalty owners from the Windfall Profit Tax.

L. C. Morgan.
Mrs. Ruth Morgan.

Nelson's Corner Drug,
Sulphur Springs, Tex., May 12, 1980.

Mr. John Alexander,
2922 Royal Street,
Oklahoma City, Okla.

Dear Mr. Alexander: You have the authorization to represent me in litigation concerning the heavy taxation of individuals in the windfall profits tax surcharge on oil royalties.

Yours truly,

Louise Gilbeath.

shirley m clendening
certified court reporter
5006 homer
dallas tx 75206
828-2044

5-11-80

I, the undersigned person give John Alexander the authority to use my name and to protect my interests at the hearing in Oklahoma on exemption for small royalty owners from the WINDFALL PROFITS TAX.

	NAME	ADDRESS	CITY	ZIP
1	Shirley M Clendening	5006 Homer	Dallas Tx	75206
2	Cecil A. Emerson	5400 Laurel Lake	Waco, T	76710
3	Mabel A. Brown	1209 Guthrie	Waco, Texas	767
4	Mrs. Stanley Lunden		Lorena, Tx	7665
5	Stanley A. Lunden		LORENA, TEX	76655
6	Clara Lawson	5400 Laurel Lake	Waco Tex	76710
7	Grace L. Ryerson	4438 Abbott Ave.	Dallas Texas	75205
8				
9				
10				
11				

ROBERT GLENN RAPP FOUNDATION,
Oklahoma City, Okla., May 23, 1980.

SENATOR BOREN, LADIES AND GENTLEMEN: My name is Leslie Harrison. Mr. Stanley B. Catlett, Mr. James H. Milligan and Mrs. Lois Darlene Milligan, Trustees of the Robert Glenn Rapp Foundation requested that I represent them by informing you and others what the impact of the so-called Windfall Profits Tax is doing to the Robert Glenn Rapp Foundation and educational institutions.

The Robert Glenn Rapp Foundation is a Private Foundation which is operated exclusively for charitable and educational purposes. The Foundation is required by Federal Law to distribute 100 percent of its net profit for these purposes.

The Robert Glenn Rapp Foundation receives 84 percent of its income from the sale of oil and gas from the states of Oklahoma and Texas. As of today we have received payment on only part of two months sale of oil from which Windfall Profit Taxes have been deducted. Over $23,000.00 has been deducted as Windfall Profit Taxes from the sale of this oil. In a years time this will amount to about $150,000.00. This simply means that the Robert Glenn Rapp Foundation will have $150,000.00 less each year to pass on to institutions for educational purposes. In our case it also means a 10 percent tax on our gross income . . . not net income . . . but gross income.

For the year ended December 31, 1979, the Foundation contributed over $900,000.00 for educational purposes. During the past five years, among other grants totaling a little over $3,000,000, Oklahoma Christian College has been the recipient of $140,500, Oklahoma Baptist University $125,000, Oklahoma City University $90,000, Oklahoma State University $158,500, University of Oklahoma $489,800, University of Southern California $775,000, and Oklahoma Medical Research Foundation $184,000.

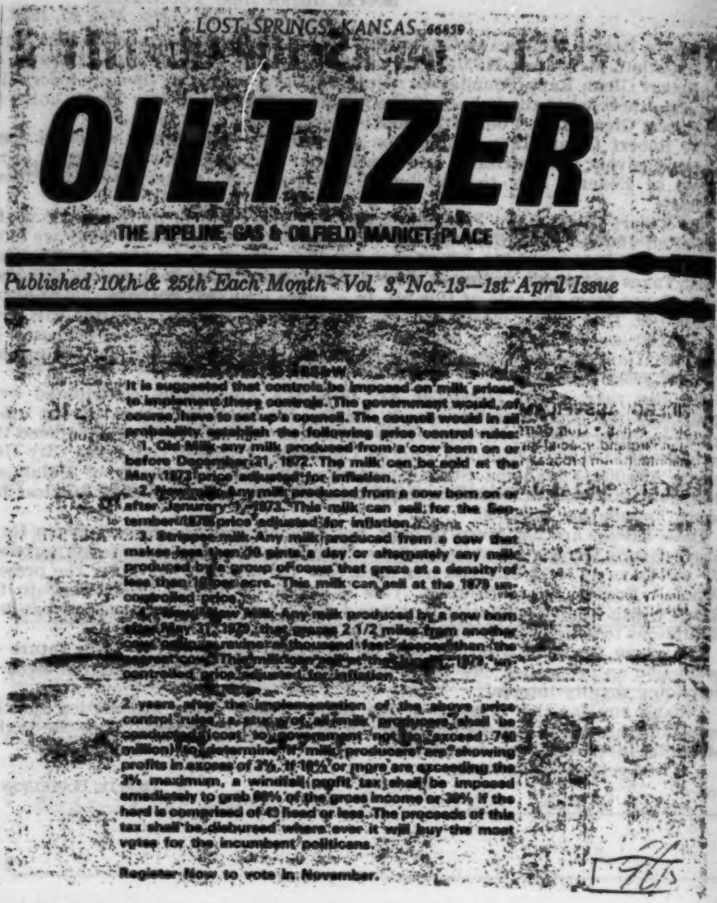
These figures are not given to brag, but to show that the Robert Glenn Rapp Foundation is passing all of its profits on to institutions for educational purposes. We will have at least $150,000 less each year for distribution under the present Windfall Profits Tax legislation. This is not a "Windfall Profit Tax" to the Robert Glenn Rapp Foundation, but it is a direct tax to the numerous educational institutions to which all of our net profit is given.

The above figure of $150,000 will be increased substantially from future oil production on properties now being developed on which the Foundation owns an overriding royalty interest.

I thank you for the Trustees of the Robert Glenn Rapp Foundation for this opportunity to point out the error in the legislation as it pertains to the taxing of royalty interests of our foundation.

Respectfully submitted,

LESLIE HARRISON.



LOST SPRINGS, KANSAS 66859

OILTIZER

THE PIPELINE GAS & OILFIELD MARKET PLACE

Published 10th & 25th Each Month Vol. 3, No. 13—1st April Issue

It is suggested that controls be imposed on milk prices. To implement these controls. The government would, of course, have to set up a council. The council would in all probability establish the following price control rules:

1. Old Milk-any milk produced from a cow born on or before December 31, 1972. The milk can be sold at the May 1973 price adjusted for inflation.

2. New milk-Any milk produced from a cow born on or after January 1, 1973. This milk can sell for the September 1975 price adjusted for inflation.

3. Stripper milk-Any milk produced from a cow that makes less than 30 pints a day or alternately any milk produced by a group of cows that graze at a density of less than 10 per acre. This milk can sell at the 1979 uncontrolled price.

4. [illegible] milk-Any milk produced by a cow born after May 31, 1979, that grazes 2 1/2 miles from another cow or [illegible] thousand feet deeper than the [illegible] cow. This milk can sell at the [illegible] 1979 uncontrolled price adjusted for inflation.

2 years after the implementation of the above price control rules, a study of all milk producers shall be conducted (cost to government not to exceed 740 million) to determine if milk producers are showing profits in excess of 3%. If 10% or more are exceeding the 3% maximum, a windfall profit tax shall be imposed emmediately to grab 60% of the gross income or 30% if the herd is comprised of 40 head or less. The proceeds of this tax shall be disbursed where ever it will buy the most votes for the incumbent politicans.

Register Now to vote in November.

96

AMENDMENT V (1791)

LIFE, LIBERTY, PROPERTY, PROTECTED.

No person shall be held to answer for a capital, or otherwise infamous crime, unless on a presentment or indictment of a Grand Jury, except in cases arising in the land or naval forces, or in the Militia, when in actual service in time of War or public danger; nor shall any person be subject for the same offense to be twice put in jeopardy of life or limb; nor shall be compelled in any Criminal Case to be witness against himself, nor deprived of life, liberty, or propepty, without due process of laws; NOR SHALL PRIVATE PROPERTY BE TAKEN VOR PUBLIC USE WITHOUT JUST COMPENSATION.

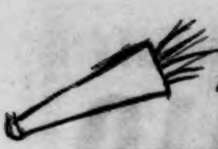
This last clause in the 5th Amendment is so plain a third grader could understand it. Every Congressman or Senator who votes to seize the property of the citizens, whether it be their wages, earnings, crops, cattle, oil etc. etc, for the purpose of giving or loaning to someone else, has used the power of the government to help part of the citizens plunder the rest.

Its time to circle the wagons and defend our freedom and our property. We in the oil industry can start the ball rolling by joining our forces together big and little, from the royalty owner to the filling station to bring the message of this rip off to every automobile owner in the Country.

We can break the back of this Socialism that spreads over the Country like a tidal wave by running out of office every Congressman and Senator who voted for this monstrosity called the windfall profit tax. These are the same men who vote to seize large chunks of everyones paycheck to give or throw away. Thes are the men who have given us inflation and depression at the same time, who give us instead of just compensation a Nation without defenses and a National debt that staggers the imagination.

WE CAN GIVE OUR NATION A NEW LEASE ON LIFE AND A FUTURE

FOR THOSE WHO ARE WILLING TO WORK AND PRODUCE.



HEAR YE! HEAR YE!

MR. CONGRESSMAN and MR. SENATOR

You hold a position of honor and trust in the Councils of our Nation, one to which you have beenn elected by your fellow citizens. Recently you were called on to make a momentous decision that could cause hardship, not only for your constituents but for the American people generally.

Up till now there has been little reason for the American people to understand much about the oil and gas industry. They have had plenty of fuel to heat their homes, to power their industries and drive their cars at prices and in quantities that reflect the genius of our free enterprise system and the men who make it work.

The State of Oklahoma, one of our oil producing states has about 60,000 stripper wells. These weak sisters can be nursed along to give up possibly three to five barrels a day. This amounts roughly to 200,000 barrels per day. Hundreds of poor boy oil men baby these wells along hoping to get a barrel or two out of the five--if they are lucky--for their efforts. You can see from the percentages of the misnamed windfall profits tax that to take away 25% to 35% of this small production, or one to two barrels out of the five leaves these hardworking people with little or no reason to continue their efforts. This could cause a loss to the Nation of 100,000 to 200,000 barrels of desparately needed production per day.

Dealing in percentages only of the money involved, as the tax does, obscures a very fundemental fact. There is no difference to a producer whether the government lets him sell his oil and takes 25% or more of the money, or lets him run the oil into his tanks and then sends out trucks to haul off 25% or more of the oil. Either way he has been robbed by his government, his private property has been seized for public use without any let alone just compensation. This is strictly prohibited by the 5th Amendment to our Constitution. As explained before to take 25% to 35% of the oil produced from stripper wells leaves the producer with no reason to continue his efforts even if he could afford such charity. This is liking asking Congressmen and Senators to be patriotic and continue in their jobs even after their paychecks have been cut off.

Any Senator or Congressman who voted for this plundering scheme can in no way deny without lying to his Constituents, that he drastically increased inflation. the cost of their living and added to the Nation's energy miseries. Most important of all he violated his oath to uphold and defend the Constitution by voting to seize private property for public use without any compensation to the rightful owners.

SENATORS WHO VOTED YES FOR THE WINDFALL PROFIT TAX

DEMOCRATS

Baucus, Max Montana
Bayh, Birch Indiana
Biden, Joe. R. Delaware
Bradley, Bill New Jersey
Bumpers, Dale Arkansas
Burdick, Quentin North Dakota
Byrd, Robt C. West Virginia
Cannon, Howard W Nevada
Chiles, Lawton Florida
Church, Frank Idaho
Cranston, Alan California
Culver, Wm S. Iowa
DeConcini, Dennis Arizona
Durkin, John A New Hampshire
Eagleton, Thos F. Missouri
Exon, J.James Nebraska
Ford, Wendell H. Kentucky
Glenn, John Ohio
Huddleston, WalterD. Kentucky
Inouye , Daniel K. Hawaii
Jackson, Henry Washington
Johnston, J. Bennett Louisiana
Leahy, Patrick J. Vermont
Levin, Carl Michigan
Long, Russell B. Lousiana
Magnuson, Warren G. Washington
Matsugana, Spark M. Hawaii
McGover, Geo. South Dakota
Melcher, John Montana
Metzenbaum, Howard Ohio
Morgan, Robt. North Carolina
Moynihan, Daniel P. New York
Muskie, Edmund Maine
Nelson, Gaylord Wisconsin
Nunn, Sam Geogia
Pell, Claiborne Rhode Island
Proxmire, WM. Wisconsin
Randolph, Jennings West Virginia
Ribicoff, Abraham Connecticut
Riegle, Donald W. Michigan
Sarbines, Paul S. Maryland
Sasser, Jim Tennessee
Stennis, John C. Mississippi
Stevenson, Adlai Illinois
Stewart, Donald Alabama
Stone, Richard Florida
Talmadge, He rman Georgia
Tsongas, Paul E. Massachusetts
Warner, John W. Virginia
Williams, Harrison New Jersey

REPUBLICANS

Baker, Howard H. Tennessee
Chafee, John H. Rhode Island
Cohen, Wm. S. Maine
Danforth, John C. Missouri
Durenberger, David F. Minnesota
Hatfield Mark O. Oregon
Heinz, H. John Pennsylvania
Javits, Jacob K. New York
Mathias, Charles Maryland
Packwood, Bob Oregon
Percy, Charles Illinois
Pressler, Larry South Dakota
Roth, WM.V. Delaware
Stafford, Robt T. Vermont
Weicker, Lowell P. Connecticut
Young, Milton R. Noth Dakota

SENATORS WHO VOTED AGAINST THE WIDFALL PROFIT TAX

DEMOCRATS

Bentson, Lloyd Texas
Boren, David L. Oklahoma
Byrd Harry F. Virginia
Hart, Gary Colorado
Heflin, Howell Alabama
Hollings, Ernest South Carolina
Pryor, David Arkansas
Zorinsky, Edward Nebraska

REPUBLICANS

Armstrong, Wm.L. Colorado
Bellmon, Henry Oklahoma
Boschwitz, Rudolph E. Minnesota
Cochran, Thad. Mississippi
Dole, Rob't. Kansas
Domenici, Pete New Mexico
Garn, Jake Utah
Goldwater, Barry Arizona
Hatch, Orrin Utah
Hayakawa, S.I. California
Helms, Jesse North Carolina
Humphrey, Gordon J. zNew Hampshire
Jepsen, Roger W. Iowa
Kassebaum, Nancy Kansas
Laxalt, Paul Nevada
Lugar, Richard G. Indiana
McLure, James A. Idaho
Schmitt, Harrison New Mexico
Simpson, Alan K. Wyoming
Stevens, Ted Alaska
Thurmond, Strom South Carolina
Tower, John Texas
Wallop, Malcolm Wyoming

CONGRESSMEN
WHO VOTED YES FOR THE WINDFALL PROFIT TAX

DEMOCRATS

Addebbo, Jos. New York
Akaka Daniel K. Hawaii
Albosta, Donald Michigan
Alexander, Bill Arkansas
Ambro, Jerome New York
Anderson. Glenn California
Andrews Ike F. North Carolina
Annunzio, Frank Illinois
Anthony. Beryl Jr. Arkansas
Applegate, Douglas Ohio
Ashley, Thos L. Ohio
Aspin, Les. Wisconsin
Atkinson, Eugene V. Penn.
AuCoin, Les Oregon
Baldus. Alvin Wisconsin
Barnes. Michael D. Md.
Beard. Ed P. R.I.
Bedell, Berkley Iowa
Bellenson, Anthony C. Cal.
Benjamin, Adam Jr. Ind
Bennett, Charles E. Fla.
Bevill, Tom Ala.
Biaggi, Mario N.Y.
Bingham, Jonathon B. N.Y.
Blanchard, Jas. Mich.
Boland, Edw. Mass.
Bolling, Richard Mo.
Boner, Wm. Hill Tenn.
Bonior, David E. Mich.
Bonker, Don Wash.
Bouquard Marilyn Lloyd Tenn.
Bowen, David R. Miss.
Brademus, John Ind.
Brinkley Jack Ga.
Brodhead, Wm. M. Mich.
Brown, Geo.E. Jr. Calif.
Burlison, Bill D. Mo.
Burton Philip Calif.
Byron, Beverly B. Md.
Carr. Bob Mich
Cavanaugh. John J. Nebr.
Chisolm. Shirley N.Y.
Clay. WM. Mo
Coelho, Tony Calif

Conyers, John Jr. Mich.
Corman, Jas. C. Calif.
Cotter, Wm. R. Conn.
D'Amours, Norman E. N.H.
Danielson, Geo. E. Calif.
Daschle, Thos. A. S. Dak.
Dellums, Ronald V. Calif
Derrick, Butler S.C.
Dicks, Norman Wash.
Diggs, Charles Mich.
Dingell, John D. Mich.
Dixon, Julian C. Calif.
Donnely, Brian J. M ass.
Downey, Thos. N.Y.
Drinan, Robt. F. Mass.
Duncan, Robt. Oregon
Early, Jos. D. Mass.
Eckhardt, Bob Tex.
Edgar, Robt. W. Pa.
Edwards, Don Calif.
Ertel, Allen E. Pa.
Evans, Billy Lee Ga.
Evans, David W. Ind
Fary, John G. Ill.
Fascell, Dante B. Fla.
Fazio, Vic Calif.
Ferraro, Geraldine N.Y.
Fisher, Jos. L. Va.
Fithian, Floyd Ind.
Flippo, Ronnie G. Ala.
Florio, Jas. J. N.J.
Foley, Thos. S. Wash.
Ford, Harold E. Tenn.
Ford, Wm. D. MIch.
Fountain, L.H. N.C.
Fowler, Wyche,Jr. Ga.
Frost, Martin Tex.
Fuqua, Don Fla.
Gaydos, Jos. M. Pa.
Gephart Richard A. Mo.
Giaimo, Robt. N. Conn.
Gibbons, Sam Fla.
Ginn, Bo Ga.
Glickman, Dan Kans.

CONGRESSMEN
WHO VOTED FOR THE WINDFALL TAX PAGE 2

DEMOCRATS

Gore Albert JR. Tenn.
Gray Wm. H. 111 Pa.
Guarini, Frank J. N.Y.
Gudger, Lamar N.C.
Hall, Tony P. Ohio
Hamilton, Lee H. Ind.
Hanley, Jas. M. N.Y.
Harkin, Tom Iowa
Harris, Herbert E. II Va.
Hawkins, Augustus F. Calif.
Hefner, W.G. Bill N.C.
Heftel, Cecil Hawaii
Holland, Ken S.C.
Holtzman, Elizabeth N.Y.
Howard, Jas. J. N.J.
Hughes, Wm. J. N.J.
Hutto, Earl DeWitt Fla.
Ireland, Andy Fla.
Jenkins, Ed Ga.
Johnson, Harold T. Calif.
Jones, Ed Tenn.
Kastenmeier, Robt. W. Wis.
Kildee, Dale E. Mich.
Kogovsek, Ray Colo.
Kostmayer, Peter H. Pa.
LaFalce, John J. N.Y.
Lederer, Raymond F. Pa.
Lehman, Wm. Fla.
Leland, Geo. T. Tex.
Levitas, Elliot H. Ga.
Lloyd, Jim Calif.
Long, Clarence D. Md.
Lowery, Michael E. Wash.
Luken, Thos. A. Ohio
Lundine, Stanley N. N.Y.
McCormack, Mike Wash.
McHugh, Matthew F. N.Y.
Maguire, Andrew N.J.
Matsui, Robt. T. Calif.
Mavroules, Nicholas Mass.
Mazzoli, Romano L. Ky.
Mica, Dan Fla.
Mikulski, Barbara A. Md
Miller, Geo. Calif.
Mineta, Norman Y. Calif.
Minish, Jos. G. N.J.
Mitchell Parren J. Md
Moakley, Joe Mass.
Mollohan, Robt. H. W. Va.
Montgomery, G.V. Miss.
Moorhead, Wm. S. Pa.
Mottl, Ronald M. Ohio
Murphy, John M. N.Y.
Murphy, Austin J. Pa.
Murtha, John P. Pa.
Natcher, Wm. H. Ky.
Neal, Stephen L. N.C.
Nedzi, Lucien N. Mich.
Nelson, Bill Fla.
Nichols, Bill Ala.
Nowak, Henry J. N.Y.
Oakar, Mary Rose Ohio
Oberstar, Jas. L. Minn.
Obey, David R. Wis.
Ottinger, Richard L. N.Y.
Panetta, Leon E. Calif.
Patten, Edw. J. N.J.
Patterson, Jerry M. Calif.
Pease, Donald J. Ohio
Pepper, Claude Fla.
Perkins, Carl D. Ky.
Petri,
Peyser, Peter A. N.Y.
Porter,
Preyer, Richardson N.C.
Price, Melvin Ill.
Rahall, Nick Joe II W. Va.
Rangel, Chas. B. N.Y.
Richmond, Fredrick W. N.Y.
Rodino, Peter W. Jrr N.J.

CONGRESSMEN

WHO VOTED FOR THE WIDFALL TAX PAGE 3

DEMOCRATS

Roe, Robt. A. N.J.
Rose, Charles N.C.
Rostenkowski, Dan Ill.
Roybal, Edw. R. Calif.
Royer,
Russo, Marty Ill.
Sabo, Martin Olav Minn.
Santini, Jim Nev.
Scheuer, Jas. H. N.Y.
Schroeder, Patricia Colo.
Shannon, Jas. M. Mass.
Sharp, Philip R. Ind.
Shelby, Richard C. Ala.
Simon, Paul Ill.
Skelton, Ike Mo.
Smith, Neal Iowa
Solarz Stephen J. N.Y.
Spellman, Gladys Noon Md.
St. Germain
Stark Edw. J. Fla.
Staggers, Harley O. W. Va.
Stark, Fortney H. Calif.
Stokes Louis Ohio
Stratton, Samuel S. N.Y.
Studds, Gerry E. Mass
Swift, Allan Byron Wash.
Thompson, Frank Jr. N.J.
Traxler, Bob Mich
Udall, Morris K. Ariz.
Ullman, Al Oregon
Van Deerlin, Lionel Calif.
Vanik, Charles A. Ohio
Vento, Bruce F. Minn.
Volkmer, Harold H. Mo.
Walgren, Doug Pa.
Weaver, Jas. Oregon

Weiss, Ted N.Y.
Whitley, Charles N.C.
Whitten, Jamie L. Miss.
Williams, Pat Montana

Wilson, Charles H. Calif.
Wirth, Timothy E. Colo.
Wolff, Lester L. N.Y.
Wolpe, Howard Mich.
Wright, Jim Tex.
Yates, Sydney R. Ill.
Yatron, Gus. Pa.
Young, Robt. A. Mo.
Zablocki, Clement J. Wis.
Zefferetti, Leo C. N.Y.

CONGRESSMEN
WHO VOTED AGAINST THE WINDFALL TAX

DEMOCRATS

Barnard, Doug   Ga.
Boggs, Lindy   La
Breaux, John B.   La.
Brooks, Jack   Tex.
Chappell, Bill Jr.   Fla.
Daniel, Dan   Va.
de la Garza, E.   Tex.

English, Glenn   Okla.
Gonzales, Henry B.   Tex.
Gramm, Phil   Tex.
Hall, Sam B. Jr.   Tex
Hance, Kent   Tex.
Hightower, Jack   Tex.
Hubbard, Carroll Jr.   Ky.
Huckaby, Jerry   La.
Ichord, Richard H.   Mo.
Jacobs, Andrew Jr.   Ind.
Jones, Jas. R.   Okla.
Kazen, Abraham Jr.   Tex.
Leath, Marvin   Tex.
Long, Gillis W.   La.
McDonald, Larry   Ga.
McKay, Gunn   Utah
Mattox, Jim   Tex.
Pickle, J.J.   Tex.
Reuss, Henry S.   Wis.
Roberts, Ray   Tex.
Runnels, Harold   N. Mex.
Satterfield, David E. III   Va.

Steed, Tom   Okla.
Stenholm, Charles W.   Tex.
Stump, Bob   Arizona
Synar, Michael   Okla.
Watkins, Wes   Okla.
White, Richard C.   Tex.
Wilson, Chas.   Tex.
Wyatt, Joe Jr.   Tex.

CONGRESSMEN

WHO VOTED FOR THE WINDFALL TAX

REPUBLICANS

Abdnor, Jas. S. Dak.
Andrews, Mark N. Dak.
Bafalis, L.A. Fla.
Bauman, Robt E. Md.
Beard, Robin L. Tenn.
Bethune, Edwin R. Jr. Ark.
Broomfield, Wm. S. Mich.
Brown, Clarence J. Ohio
Broyhill, Jas T. N.C.
Buchanan, John Ala.
Carney, Wm. N.Y.
Carter, Tim Lee Ky.
Clinger, Wm. F. Jr. Pa.
Conable, Barber B. Jr. N.Y.
Conte, Silvio O. Mass.
Coughlin, Lawrence Pa.
Courter, Jas. A. N.J.
Davis, Robt. W. Mich.
Derwinski, Edw. J. Ill.
Dougherty, Chas. F. Pa.
Duncan, John J. Tenn.
Emery, David F. Maine
Erdahl, Arlen Minn.
Erlonborn, John N. Ill.
Evans, Thos. B. Jr. Del.
Fenwick, Millicent N.J.
Findley, Paul Ill.
Fish, Hamilton Jr. N.Y.
Frenzel, Bill Minn.
Gilman, Benjamin A. N.Y.
Goodling, Wm. F. Pa.
Grassley, Chas. E. Iowa
Green, S. Wm. N.Y.
Guyer, Tennyson, Ohio
Hagedorn, Tom Minn.
Hammerschmidt, John Paul Ark.
Heckler, Margaret M. Mass.
Hillis, Elwood Ind.
Hollenbeck, Harold C. N.J.
Holt, Marjorie S. Md.
Hopkins, Larry J. Ky.
Hyde, Henry J. Ill.
Latta, Delbert L. Ohio
Leach, Jim Iowa
Lee, Gary E. N.Y.
Lent, Norman F. N.Y.
McClory, Robt. Ill.
McCloskey, Paul N. Jr. Calif.
McDade, Jos. M. Pa.
McKinney, Stewart B. Conn.
Madigan, Edw. R. Ill.
Marks, Marc L. Pa.
Marlenee, Ron Montana
Martin, Jas. G. N.C.
Michel, Robt. H. Ill.
Mitchell, Donald J. N.Y.
Pashayan, Chas. Jr. Calif.
Pritchard, Joel Wash
Pursell, Carl D. Mich.
Quayle, Dan Ind.
Quillen, Jas. H. Tenn.
Railsback, Tom Ill.
Regula, Ralph S. Ohio
Rinaldo, Matthew J. N.J.
Ritter, Don Lawrence Pa.
Roth, Toby Wisc.
Sawyer, Harold S. Mich.

Smith, Virginia Neb.
Snowe, Olympia A. Maine
Snyder, Gene Ky.
Solomon, Gerald B.H. N.Y.
Spence, Floyd S.C.
Stangeland, Arlan Minn.
Stanton, J. Wm. Ohio
Tauke, Thos. J. Iowa
Trible, Paul S. Jr. Va.
Walker, Robt. S. Pa.
Wampler, Wm. C. Va.
Whitehurst, G. Wm. Va.
Williams, Lyle Ohio
Wylie, Chalmers P. Ohio
Young, C.W. Fla

CONGRESSMEN
WHO VOTED AGAINST THE WINDFALL TAX

REPUBLICANS

Archer, Bill Tex.
Ashbrook, John M. Ohio
Badham, Robt. E. Calif.
Bereuter, Douglas K. Neb.
Butler, M. Caldwell Va.
Campbell, Carrol A. Jr. S.C.
Cheney, Richard Bruce Wyoming
Clausen, Don H. Calif.
Cleveland, Jas. C. N.H.
Coleman, E Thomas Mo.
Collins, Jas. M. Tex.
Corcoran, Tom Ill.
Crane, Daniel Ill.
Daniel, Robt. W. Jr. Va.
Dennemeyer, Wm. E. Calif.
Deckard, H. Joel Ind.
Devine Samuel L. Ohio
Dickenson, Wm. L. Ala.
Dornan, Robt. K. Calif.
Edwards, Jack Ala.
Edwards, Mickey Okla.
Forsuthe, Edwin B. N.J.
Gingrich, Newton Leroy Ga.
Goldwater, Barry M. Jr. Calif.
Gradison, Willis D. Jr. Ohio
Grisham, Wayne Calif.
Hansen, George Idaho
Hinson, Jon Miss.
Horton, Frank N.Y.
Jeffords, Jas. M. Vt.
Jeffries, Jas, E. Kans.
Kelly, Richard Fla.
Kemp, Jack F. N.Y.
Kindness, Thos. N. Ohio
Kramer, Ken Colo.
Lagomarsino, Robt. J. Calif.
Lewis, Jerry Calif.
Livingston, Bob La.
Loeffler, Thos. G. Tex.
Lott, Trent Miss.
Lujan Manuel Jr. N. Mex.

Lundgren Dan Calif.
McEwen, Robt. C. N.Y.
Marriot, Dan Utah
Miller, Clarence E. Ohio
Moore, W. Hensen La.
Moorehead, Carlos J. Calif.
Myers, John T. Ind.
Paul, Ron Tex.
Robinson, J. Kenneth Va.
Rousselot, JohnH. Calif.
Rudd, Eldon Ariz.
Schulze, Richard T. Pa.
Sebelius, Keith J. Kans.
Sensenbrenner, F. Jas. Jr. Wis.
Shumway, Norman D. Calif.
Shuster, Bud Pa.
Stockman, Dave Mich.
Symms, Steven D. Idaho
Taylor, Gene Mo.
Thomas, Wm. M. Calif.
Vander Jagt, Guy Mich.
Whittaker, Robt. Kans.
Wilson, Bob Calif.
Winn, Larry Jr. Kans.
Wydler, John W. N.Y.
Young, Don Alaska

tax credit for coking facilities which I cosponsored, an energy production tax credit of 50 cents per thousand-cubic-feet for natural gas from Devonian shale which I authored, and an expanded exemption for interest and dividend income for small savers which I cosponsored. The bill also retains the important Senate-passed provision which repeals the 1976 tax provision pertaining to carryover basis on inherited property.

Mr. President, this bill is the better of two bad choices. My concern about independent producers remains, and I will still be working for ways to encourage additional production. Additionally, Congress must, in the future, consider how these tax revenues are to be applied, and not necessarily along the lines or in the amounts suggested by the conference committee report. I look forward to working with my colleagues in making the changes necessary to improve this legislation.●

Mr. ROBERT C. BYRD. Mr. President, there may be other votes during the afternoon—not on this measure, of course.

The PRESIDING OFFICER. The question is on agreeing to the conference report. The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Alaska (Mr. GRAVEL) and the Senator from Massachusetts (Mr. KENNEDY) are necessarily absent.

I further announce that, if present and voting, the Senator from Alaska (Mr. GRAVEL) would vote "nay."

Mr. STEVENS. I announce that the Senator from Pennsylvania (Mr. SCHWEIKER) is necessarily absent.

The PRESIDING OFFICER. Are there any other Senators in the Chamber wishing to vote?

The result was announced—yeas 66, nays 31, as follows:

[Rollcall Vote No. 67 Leg.]

YEAS—66

Baker
Baucus
Bayh
Biden
Bradley
Bumpers
Burdick
Byrd, Robert C.
Cannon
Chafee
Chiles
Church
Cohen
Cranston
Culver
Danforth
DeConcini
Durenberger
Durkin
Eagleton
Exon
Ford
Glenn
Hatfield
Heinz
Huddleston
Inouye
Jackson
Javits
Johnston
Leahy
Levin
Long
Magnuson
Mathias
Matsunaga
McGovern
Melcher
Metzenbaum
Morgan
Moynihan
Muskie
Nelson
Nunn
Packwood
Pell
Percy
Pressler
Proxmire
Randolph
Ribicoff
Riegle
Roth
Sarbanes
Sasser
Stafford
Stennis
Stevenson
Stewart
Stone
Talmadge
Tsongas
Warner
Weicker
Williams
Young

NAYS—31

Armstrong
Bellmon
Bentsen
Boren
Boschwitz
Byrd,
Harry F., Jr.
Cochran
Dole
Domenici
Garn
Goldwater
Hart
Hatch
Hayakawa
Heflin
Helms
Hollings
Humphrey
Jepsen
Kassebaum
Laxalt
Lugar
McClure
Pryor
Schmitt
Simpson
Stevens
Thurmond
Tower
Wallop
Zorinsky

NOT VOTING—3

Gravel
Kennedy
Schweiker

So the conference report (H.R. 3919) was agreed to.

Mr. LONG. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

ROUTINE MORNING BUSINESS

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that there now be a period for the transaction of routine morning business, not to exceed 30 minutes, with statements therein limited to 5 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senate will be in order.

THE 442D VETERANS CLUB CALLS FOR EARLY ENACTMENT OF S. 1647

Mr. MATSUNAGA. Mr. President, the 442d Veterans Club of Hawaii, whose membership is made up of Veterans of the 442d Regimental Combat Team of World War II fame, recently adopted a resolution calling for the early enactment of S. 1647, a bill which would provide for the establishment of a Federal commission to study the World War II detention of civilians under Executive Order 9066.

Members of the Senate will recall that the 442d Regimental Combat Team was the most decorated combat unit of World War II. Its exploits were immortalized in the movie entitled "Go for Broke," which was also the battle-cry of the Japanese-American regiment.

Upon its return from overseas, President Harry S Truman awarded to the 442d its seventh Presidential Unit Citation and told its Japanese American members:

> You fought not only the enemy, but you fought prejudice—and you won. Keep up that fight, and we will continue to win—to make this great republic stand for what the Constitution says it stands for: "The Welfare of all the people all the time."

The members of the 442d Regimental Combat Team, which include my colleague, the senior Senator from Hawaii, DANIEL K. INOUYE, and myself, have continued their fight to make sure all Americans enjoy the rights and privileges granted by our Constitution. I am sure that my colleagues will find of interest their views with respect to S. 1647, and I request unanimous consent that the text of their resolution be printed in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

RESOLUTION

Whereas, on February 19, 1942, President Roosevelt signed Executive Order 9066 which resulted in the mass evacuation and incarceration of Japanese Americans in concentration camps; and

Whereas, 1942 marked the beginning of a period of American history in which the ideals of democracy and individual freedom guaranteed under the Constitution of this Nation were denied to these citizens solely on the basis of ancestry; and

Whereas, apart from its economic and psychological impact on the victims, the Evacuation placed a stigma of guilt upon all Japanese Americans and, in the minds of most Americans, has led to the erroneous belief that the government's actions were completely justified in the name of national security; and

Whereas, after many, many years of continued effort by the Japanese American community and their legion of friends to bring before the United States Congress and the American public the events of this "sad episode in our history", the unprecedented abridgement of the rights of American citizens; and

Whereas, with the courageous leadership of our esteemed comrades in arms, The Honorable Daniel Inouye and Spark Matsunaga, together with the co-sponsorship of Senators S. I. Hayakawa and Alan Cranston of California, and Frank Church and James McClure of Idaho, Senate Bill 1647 was introduced in the United States Senate on August 2, 1979; and

Whereas, on September 28, 1979, HR 5499 was introduced in the House of Representatives with 114 co-sponsors; and

Whereas, both measures seek to establish a Presidential study commission whose purpose will be to inquire into the events of 1942 through a series of public hearings and to determine whether the government's actions were justified, and if not, to recommend appropriate remedies; and

Whereas, the members of the 442nd Veterans Club of Honolulu, Hawaii, comprised of the original members of the 442nd Regimental Combat Team, and widely recognized as one of the most highly decorated combat units during World War II, firmly believe in the principle of "Redress" as proposed in HR 5499 and SB 1647; now therefore,

Be it resolved by the 442nd Veterans Club of Honolulu, Hawaii, that its entire membership wholeheartedly endorses the immediate passage of the bill to establish the Commission on Wartime Relocation and Internment of Civilians Act and

Be it further resolved that copies of this resolution be transmitted to: The Honorable Abraham Ribicoff, Chairman of the Senate Governmental Affairs Committee, The Honorable Daniel Inouye, United States Senator; The Honorable Spark Matsunaga, United States Senator; The Honorable S. I. Hayakawa, United States Senator; The Honorable Alan Cranston, United States Senator; The Honorable Frank Church, United States Senator; and The Honorable James McClure, United States Senator.

Respectfully submitted,

[illegible] M. [illegible],
President.

HAWAII CELEBRATES KUHIO DAY

Mr. MATSUNAGA. Mr. President, the people of Hawaii are celebrating all this week the birthday anniversary of Prince Jonah Kuhio Kalanianaole.

Prince Kuhio was born on my own home island of Kauai. My claim to fame is that I was born within a few miles from where he was born. From 1902 through 1922, the prince served as Hawaii's nonvoting delegate to the U.S. Congress. Hawaii's new Federal building, in Honolulu, is named for Prince Kuhio and will be the site of part of the festivities today.

"The record tells us that "Prince Cupid," as he was amicably called, was one vote, and there were—yeas [illegible], nays 107, answered "present" 4, not voting 19, as follows:

[Roll No. [illegible]]

YEAS—[illegible]

[illegible]

NAYS—107

[illegible]

ANSWERED "PRESENT"—4

Burton, John
[illegible]

NOT VOTING—19

Anderson, Ill.
Collins, Ill.
Crane, Philip
Davis, S.C.
Dodd
Garcia
[illegible]
Jenrette
Johnson, Colo.
Jones, N.C.
Mathis
Murphy, Ill.
Myers, Pa.
O'Brien
Ratchford
Rhodes
Rosenthal
Stewart
Waxman

□ 1220

The Clerk announced the following pairs:

On this vote:

Mr. Johnson of Colorado for, with Mr. Philip M. Crane against.

Mr. O'Brien for, with Mr. Rhodes against.

Until further notice:

Mr. Jones of North Carolina with Mr. Anderson of Illinois.

Mr. Rosenthal with Mr. Jenrette.

Mr. Waxman with Mr. Davis of South Carolina.

Mr. Dodd with Mr. Mathis.

Mr. Garcia with Mr. Murphy of Illinois.

Mrs. Collins of Illinois with Mr. Ratchford.

Mr. Myers of Pennsylvania with Mr. Stewart.

So the conference report was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. DODD. Mr. Speaker, having voted against the motion to recommit H.R. 3919, the windfall profit tax bill, I inadvertently missed the vote for final passage. Although I was seated on the floor of the House at the time of the final vote, I misread the electronic recording device. I thought that I was registered in favor of the bill, but in reality I had not voted. If I had voted, I would have strongly supported passage of the windfall profit tax bill.

□ 1230

PERMISSION FOR COMMITTEE ON INTERIOR AND INSULAR AFFAIRS TO HAVE UNTIL 5 P.M. FRIDAY, MARCH 14, TO FILE REPORTS ON H.R. 5761, PROTECTION OF ARCHEOLOGICAL RESOURCES IN SOUTHWESTERN COLORADO, AND H.R. 6631, SETTLEMENT OF LAND CLAIMS OF CAYUGA INDIAN NATION IN STATE OF NEW YORK

Mr. UDALL. Mr. Speaker, I ask unanimous consent that the Committee on Interior and Insular Affairs may have until 5 p.m. on Friday, March 14, 1980, to file reports on two bills: H.R. 5761, relating to the protection of archeological resources in southwestern Colorado, and H.R. 6631, relating to the settlement of land claims of the Cayuga Indian Nation in the State of New York.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Arizona?

Mr. ROUSSELOT. Mr. Speaker, reserving the right to object, could the gentleman explain what he is up to?

Mr. UDALL. Will the gentleman yield?

Mr. ROUSSELOT. I am happy to yield.

Mr. UDALL. I am up to a simple request to file two reports tomorrow that ordinarily would go in next week. We are trying to move them. I have cleared them with the minority in both cases.

Mr. ROUSSELOT. And the minority has said that this is all acceptable?

Mr. UDALL. Yes. It is simply permission to file by tomorrow night.

Mr. ROUSSELOT. I understand otherwise you have to file next week; is that correct?

Mr. UDALL. That is correct.

Mr. ROUSSELOT. And we really have to hurry up because there is a great demand and the public is demanding the legislation?

Mr. UDALL. In the Indian legislation, which the gentleman from New York (Mr. LEE) is familiar with, and is in his district, there is a time problem about April 1 when certain rights of the Indian tribes may expire, and we are trying to expedite that piece of legislation.

Mr. ROUSSELOT. Further reserving the right to object, I would yield to my colleague from New York.

Mr. LEE. I thank my colleague for yielding. My understanding is that this is OK as long as the commitment that the gentleman from Arizona (Mr. UDALL) made yesterday in the Interior and Insular Affairs Committee that there would be a cap amendment offered to the bill when it is brought to the floor is met.

Mr. UDALL. Will the gentleman yield?

Mr. ROUSSELOT. I yield to the gentleman.

Mr. UDALL. That commitment stands and we will try to work out an acceptable cap with the gentleman.

Mr. LEE. With that understanding, Mr. Speaker, we have no objections.

CENTURY 21,
A & W REALTY, INC.,
Tulsa, Okla., May 23, 1980.

Re: S. 2521

Mr. MICHAEL STERN,
Senate Committee on Finance,
2227 Dirksen Senate Office Building,
Washington, D.C.

DEAR MR. STERN: Thank you for your Mailgram of the 20th of May, 1980 advising me to submit my written statement for consideration in regard to the above mentioned legislation.

My statement is made on behalf of my mother, who outside of Social Security and her savings, has to depend on oil royalties for her support. All her royalties are old oil or stripper oil that have been hit the hardest by the Windfall Profits Tax. I feel that it is very unfair and possibly unconstitutional for one or two groups to be singled out to be taxed to these extremes. What the Windfall Profits Tax has effectively done is to cut my mother's income by 60 percent. This is not conserving energy or taxing the profits of the oil companies, it is taking food out of the mouths of the people of the United States that have mineral rights that produce the fuel of the Nation.

Thank you for allowing me to express my views and support for Senate Bill 2521.

Sincerely,

JAMES R. ADELMAN, *President.*

DEWEY, OKLA.

Senator ROBERT DOLE,
Kansas.

DEAR SENATOR: The new so called "WINDFALL" tax on oil will deal a terrific blow to small producers and all the royalty owners. Many stripper wells will be plugged that will no longer be economical feasible to operate and many more scheduled for opening will not be.

Speaking from a personal point of view as a small producer, this tax is unfair and will force a change in my operations. My wells are classified as stripper, producing ¼ to ½ barrels each day per well. Equipment costs and repair labor has gone out of sight, making it very difficult to make a profit. With the new "PROFITS" tax, the cost of operations vs income is marginal at best, with the prospects of drilling more wells or purchasing equipment for other old wells is out of the question.

The energy shortage is definitely not being helped by this new tax. In reality, an adverse effect will be the end result and will add to our energy problems.

Your assistance, in obtaining relief from the tax for both royalty owners and small independent producers is requested. Thanks for your understanding and help.

Yours truly,

HOWARD HEUSTON.

BARTLESVILLE, OKLA., *May 15, 1980.*

Hon. DAVID BOREN,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BOREN: I have just received information that you will be in Great Bend, Kansas on May 23 along with Senator Dole.

Unfortunately we will not be able to attend, but a good friend of mine has offered to give you this note.

It is hoped that with the help from you and Senator Dole that something can be done about the windfall profit tax that was recently imposed on royalty owners like myself and independent owners. My last check was $192.00 net, windfall profit tax $102.00. We have only one (1) well on our property, very small production about 2.5 barrels a day, so you can see this tax will cause landowners like myself to close down their operations as it is hardly worth the wear and tear on our land.

Sincerely yours,

J. L. EVANS.

WELLSVILLE, KANS., *June 4, 1980.*

Mr. MICHAEL STERN,
Staff Director, Committee on Finance,
Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: As it was impossible for me to attend the hearings on exemp ing small royalty owners from the windfall profits tax held May 23rd at Gre Bend, I would like to present my opinion on the matter in the following stat ment to the Subcommittee.

We own a farm on which there is an oil lease, falling in the category of stri per wells. It seems quite unfair that we are being taxed at the same rate as t huge oil companies, when the tax was originally meant to be only on the o giants. We have been approached by an oil producer to lease some more of o land for drilling; however, with a 34% tax on the total oil produced, we wou not consider leasing any more land. It seems the tax is actually preventi additional drilling.

We are in full support of Senate Bill 2521.

Sincerely,

ROBERT PERKINS.
BETTY PERKINS.

CHAMPAIGN, ILL., *May 30, 1980.*

U.S. SENATE COMMITTEE ON FINANCE,
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT,
Dirksen Senate Office Building, Washington, D.C.

I am writing in support of S. 2521 which would entirely exempt small royal owners from the Windfall Profit Tax. I request that my statement which follow be included in the printed record of the hearings and be seriously considered b the Committee. The main points are:

(1) My husband and I are retired and our retirement income has suffere from inflation. We need my royalty income to help us cope.

(2) My personal royalty interest is small.

(3) Production on this property was initiated by a small Independent Pr ducer, but was taken over by AMOCO, an action over which I had no control.

(4) My modest interest in production which is still controlled by small Ind pendent Producers is not subject to the tax.

I inherited from my mother a small royalty interest in oil production in Texa This March, I was amazed to learn that AMOCO was deducting from my mode check a tax at the same rate at which the giant oil company pays under th "Windfall Profit Tax". The property referred to is approximately 100 acre located in the State of Texas and was developed more than 20 years ago by small Independent Producer. Recently, AMOCO took over the production, action in which I had no say. Other small royalty interests I own in the area a still being produced by Independents and are, therefore, not subject to the Tax. find it difficult to believe that Congress intended that I, as a small royalty owne should be taxed at the same rate as a multi-billion dollar corporation.

My husband and I are retired and were counting on this small inheritanc from my mother to augment his pension and try to cope with the effects inflatio is having on our retirement years.

I respectfully request that your committee seriously consider the injustice th tax on giant corporations is having on the small acreage and small royalt owners, and try to give us some relief, if not complete exemption from th "Windfall Profit Tax", which I believe should be the case. I appreciate th exemption on production by small Independent Producers and believe I shoul also be exempt on my small interest in production by a larger corporation.

HELEN K. SIESS.

May 26, 1980.

SMALL ROYALTY OWNERS WINDFALL TAX EXEMPTION PETITION

Mr. MICHAEL STERN,
Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Buildin
Washington, D.C.

GENTLEMEN: We, the undersigned, were unable to attend either of the meeting of the Finance Subcommittee on Taxation which were held in Oklahoma Cit

Oklahoma and Great Bend, Kansas on May 23, 1980. For this reason, we wish to present our strenuous objections to the "Oil Windfall Tax" as it is so unjustly applied to small royalty owners.

Our objections are briefly outlined as follows:

1. To start with, we only receive a small percentage of the oil income from any oil well, large or small, and yet we are taxed at a 60% rate, the same as the oil giants. We are unable to manipulate expenses or prices to soften the blow.

2. The independent oil producer is only taxed 30% on the same oil. We do not object to this because the independent producer performs a very valuable and risky service for the oil industry but we do believe that small royalty owners should also receive equally fair treatment.

3. It is almost universally agreed upon that it is fair for persons with smaller incomes to pay income taxes at lower percentage rates than those with larger incomes. If this basic principle is fair, then it should obviously be only fair that small royalty owners should be taxed less and not at all on some logical minimum quantity of oil.

4. A windfall tax of 60% applied to a small royalty owner plus income taxes on the balance almost amounts to confiscation of property. Oil is property the same as land and buildings. Can anyone imagine the public uproar if all land and homes were taxed on a similar basis?

5. Finally, the farmer is being unmercifully squeezed between high costs and low prices for his farm products so why punish him additionally with a totally unfair windfall tax to add to his already difficult financial problems.

With the above in mind, we respectfully request that Senate Bill S–2521 and House Bill H.R. 7127 be favorably acted upon.

NAME	DATE	ADDRESS
Harvey E. Brown	6-5-80	Rt. 2 Box 149T, 15380 Holly
Marilyn L. Brown	6-5-80	Brighton, Colo. 80601
Lewis Edstrom	6-6-80	RT 2 Bx 225 E Brighton Colo
Joseph A Leisle	6-7-80	Rt 2 Box 225 " "
Richard C. Wierman	6-4-80	Rt 2 Box 157 A Brighton Colo
Nancy P. Wierman	6-9-80	Rt. 2, Box 157-A Brighton, Colo. 80601
James Pulis	6-4-80	RT 2 Box 152 Z Brighton Colo 80601
Joseph W. Green	6-9-80	1498 Colo Blvd Brighton Colo
Dane E. Green	6-9-80	1198 Colo Blvd Brighton, Colo.
Grace A. Cundall	6-4-80	Rt 2 Box 182 Brighton, Co. 80601
Howard F. Cundall	6-9-80	Rt 2 Box 182 Brighton Co 80601
Casper J. Sack	6-9-80	R2 Box 183 Brighton Colo 80601

NAME	DATE	ADDRESS
Douglas L. Moffit	6/9/80	178 So 4th Ave Brighton Colo.
Molly M. Sack	6/9/80	Rt 2 Box 182 Brighton Colo.
Albert Johnson	6/9/80	Rt. 2, Box 185F, Brighton, Colo.
Barbara Johnson	6-9-80	Rt 2 Box 185F Brighton, Co
Reuben Sterkel	6-9-80	Rt 2 Box 195C Brighton Colo,
Margaret M Sterkel	6 9 80	Rt 2 Box 195C Bright Col,
Edward Wolfe	6/9/80	RT 2 Box 195G. Brighton, C
Delores L Wolfe	6/9/80	Rt 2 - Box 195G. Brightn. Co
[illegible]	6/9/80	Rt Box 196 Brighton
Arthur Egan	6/9/80	Rt 2 Box 153 Brighton
Esther Richardson	6/14/80	Rt #1 Box 225E Brighton Co
James E Richardson	6/12	14405 Rd 12 Ft Lupton colo
Janice E, Richardson	6/12/80	14405 Rd 12 Ft Lupton colo,

SMALL ROYALTY OWNERS WINDFALL TAX EXEMPTION PETITION

Mr. Michael Stern,
Staff Director, Committee on Finance, Room 2227,
Dirksen Senate Office Building, Washington, D.C.

Gentlemen: We, the undersigned, were unable to attend either of the mee ings of the Finance Subcommittee on Taxation which were held in Oklahom City, Oklahoma and Great Bend, Kansas on May 23, 1980. For this reason, w wish to present our strenuous objections to the "Oil Windfall Tax" as it is unjustly applied to small royalty owners.

Our objections are briefly outlined as follows:

1. To start with, we only receive a small percentage of the oil income from a oil well, large or small, and yet we are taxed at a 60% rate, the same as the o giants. We are unable to manipulate expenses or prices to soften the blo

2. The independent oil producer is only taxed 30% on the same oil. We do n object to this because the independent producer performs a very valuable an risky service for the oil industry but we do believe that small royalty owne should also receive equally fair treatment.

3. It is almost universally agreed upon that it is fair for persons with small incomes to pay income taxes at lower percentage rates than those with larg incomes. If this basic principle is fair, then it should obviously be only fair th small royalty owners should be taxed less and not at all on some logical minimu quantity of oil.

4. A windfall tax of 60% applied to a small royalty owner plus income taxes o the balance almost amounts to confiscation of property. Oil is property the sam as land and buildings. Can anyone imagine the public uproar if all land an homes were taxed on a similar basis?

5. Finally, the farmer is being unmercifully squeezed between high costs an low prices for his farm products so why punish him additionally with a total unfair windfall tax to add to his already difficult financial problems.

With the above in mind, we respectfully request that Senate Bill S-2521 an House Bill H.R. 7127 be favorably acted upon.

NAME	DATE	ADDRESS
Kenneth C. [illegible]	6-9-80	#1 Churchill Drive Englewood Co 80110
Harold [illegible]	6/9/80	724 Jackson St. Denver, 80206
Ernest W. Hempel	6/9/80	20 [illegible] Dr. Littleton, 80[illegible]
Joseph J. Hampson	6/9/80	2764 S. [illegible] Ct. [illegible]
Donald L. Hart	6/9/80	750 Lafayette St Denver Colo 80218
Stuart Clayton	6/9/80	7250 Eastmoor Dr #205, Denver 80237
Richard M Tonnin	6-10-80	1905 E. Cedar Ave Denver, Co 80209
Thomas Hutchison	6-10-80	1515 Arapahoe St. Denver, Colo. 8020[illegible]
Geo. P. Stamm	6-10-80	7240 Quivas St. Denver, Co 80[illegible]
John B. [illegible]	6/10/80	[illegible] Dr. Golden Colo 80401
[illegible]	[illegible]	10 Bellaire WAY Littleton Colo 801[illegible]

NAME	DATE	ADDRESS
Cecelia Kraft	6-7	688 Skeel St, Brighton, Colo. 80601
Helen Penrod	6-7	Rt 1 Box 269 Brighton Colo
Herman Schwab	6-7	688 Skeel St Brighton Co, 80601
[illegible]	6-9	7074 S Geneva Dr E., Englewood Co 80112
John C. Mitchell III	6/9/80	3650 S. [illegible] Way. Denver, 80237
Robert R Davis	6/9/80	3755 S Frost Way Denver 80239
John C Rohe	6/9/80	2601 S Quebec Denver 80231
[illegible]	6/11/80	4327 So Yosemite St Englewood 80111
W [illegible]	6/10/80	6464 East Bates Ave Denver 80222

BRIGHTON, COLO., *June 14, 1980.*

MR. MICHAEL STERN,
Staff Director, Committee on Finance, Room 2227,
Dirksen Senate Office Building, Washington, D.C.

GENTLEMEN: The attached petition has been signed by farmers and small oil royalty owners scattered over an oil field of about county size in area. This field is composed of many small producing oil wells, none of which are gushers, hence it well illustrates how damaging and unfair the 60% windfall oil tax falls on the small royalty owners of such wells.

I feel sure that if more time were available we could have secured many, many more signatures to this petition and if it were explained and circulated nationally then there would have been several million signatures because the injustice of the excessive 60% windfall tax, as applied to small royalty owners, is so obvious.

I am an elderly retired farmer and I have always believed that the majority of U.S. citizens have an inherent sense of justice therefore I sincerely hope that you agree with this conception and will exert every effort to correct the injustice now perpetrated on the small oil royalty owner.

Sincerely yours,

MARK MCELWAIN.

May 29, 1980

SMALL ROYALTY OWNERS WINDFALL TAX EXEMPTION PETITION

Attention: Mr. Michael Stern
Staff Director
Committee on Finance, Room 2227
Dirksen Senate Office Building
Washington, D.C. 20510

Gentlemen:

We, the undersigned, were unable to attend either of the meetings of the Finance Subcommittee on Taxation which were held in Oklahoma City, Oklahoma and Great Bend, Kansas on May 23, 1980. For this reason, we wish to present our strenuous objections to the "Oil Windfall Tax" as it is so unjustly applied to small royalty owners.

Our objections are briefly outlined as follows:

1. To start with, we only receive a small percentage of the oil income from any oil well, large or small, and yet we are taxed at a 60% rate, the same as the oil giants. We are unable to manipulate expenses or prices to soften the blow.
2. The independent oil producer is only taxed 30% on the same oil. We do not object to this because the independent producer performs a very valuable and risky service for the oil industry but we do believe that small royalty owners should also receive equally fair treatment.
3. It is almost universally agreed upon that it is fair for persons with smaller incomes to pay income taxes at lower percentage rates than those with larger incomes. If this basic principle is fair, then it should obviously be only fair that small royalty owners should be taxed less and not at all on some logical minimum quantity of oil.

continued -

4. A windfall tax of 60% applied to a small royalty owner plus income taxes on the balance almost amounts to confiscation of property. Oil is property the same as land and buildings. Can anyone imagine the public uproar if all land and homes were taxed on a similar basis?

5. Finally, the farmer is being unmercifully squeezed between high costs and low prices for his farm products so why punish him additionally with a totally unfair windfall tax to add to his already difficult financial problems.

With the above in mind, we respectfully request that Senate Bill S-2521 and House Bill H.R. 7127 be favorably acted upon.

NAME Adeline M Joseph	DATE	ADDRESS
Adeline M Joseph	6-10-80	1032 Jamaica Ct. Aurora Colo. 80010
Norman Joseph	6-10-80	1032 Jamaica Ct. Aurora, Colo 80010
Carl Galasso	6-10-80	1070 Kenton Aurora Colo
Angelina Galasso	6-10-80	1070 Kenton St. Aurora, Colo 80010
Wyley K Look	6-10-80	4377 So Yosemite Ct Englewood, Colo 80111
Gladys M. Look	6-10-80	" " " " "
Norma C. Dahn	6-10-80	6615 E. 6th Ave Den. Co 80220
Gerald G. Dahn	6-10-80	Same " " " "
Frank A. Peverton	6-10-80	60 So. Birch St. Denver Co 80222
Howard P. McLendon	6/10/80	5030 UVALDA ST DENVER 80239
Aline Mc Lendon	6/10/80	5030 Uvalda St Den. 80239

4. A windfall tax of 60% applied to a small royalty owner plus income taxes on the balance almost amounts to confiscation of property. Oil is property the same as land and buildings. Can anyone imagine the public uproar if all land and homes were taxed on a similar basis?

5. Finally, the farmer is being unmercifully squeezed between high costs and low prices for his farm products so why punish him additionally with a totally unfair windfall tax to add to his already difficult financial problems.

With the above in mind, we respectfully request that Senate Bill S-2521 and House Bill H.R. 7127 be favorably acted upon.

NAME	DATE	ADDRESS
Louise Waltenberg	6/9/80	619 Jessup St. Apt. 2 Brighton Colo [illegible]
F. Loraine R. Cont[illegible]	6/9/80	14600 E. 136th Ave. Brighton, C. [illegible]
Robert E. Waltenberg	6/10/80	971 Em[illegible] St Denver Colo 80229
Barbara McElhinney	6/10/80	Box 275 Collbran, CO 81624
Amelia Martin	6/11/80	16529 Weld Co Rd 4 Brighton, Colo. 80601
Kathy Jackson	6/11/80	Rte Box 1960 [illegible] 68757
W H [illegible]	6/11/80	5600 E. 112 ave Den Co 80229
Albert J. [illegible]	6/11/80	763 S. 7th Brighton Colo 80601.
George R. Bristol	6-11-80	14560 Holly St Brighton Colo
Willie Nell Bristol	6-11-80	14560 Holly St. Brighton Colo
Beverly J. Vernon	6-12-80	Box 4451 Rt. 7 Nampa Idaho 83651
Ross E. Vernon	6/12/80	" " " " "

POWER OF ATTORNEY—SPECIAL

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SPECIAL POWER OF ATTORNEY

Know All Men by These Presents: That We Reese E. Verner and Beverly J. Verner have made, constituted, and appointed, and by these presents do make, constitute and appoint Mark McElwain of Brighton Colo. true and lawful attorney for and in our name, place and stead, and for our use and benefit as follows:

to act in our behalf [redacted] in support of the Small Royalty Owners Windfall Tax Exemption Petition (S.B.S 2521 and H.B HR 7127)

and to sign, seal, execute, deliver and acknowledge such instruments in writing of whatever kind and nature as may be necessary or proper in the premises.

Giving and granting unto said attorney full power and authority to do and perform all and every act and thing whatsoever requisite and necessary to be done in and about the above stated premises, as fully to all intents and purposes as the signer might or could do if personally present, and hereby ratifying and confirming all that said attorney shall lawfully do or cause to be done in the above stated premises by virtue of these presents.

IN WITNESS WHEREOF, We have hereunto set our hand and seal the 9th day of June, 1980.

Signed, sealed and delivered in presence of

Reese E. Verner (Seal)

Beverly J Verner (Seal)

STATE OF IDAHO,
County of Idaho } ss.

On this 9th day of June in the year 1980, before me the undersigned, a notary public in and for said State, personally appeared Reese E. & Beverly J. Verner known to me to be the persons whose names subscribed to the within instrument, and acknowledged to me that they executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year in this certificate first above written.

Anita [illegible]. Stowe

Residing at Grangeville Idaho

-2-
Mr. Michael Stern
5/29/80

4. A windfall tax of 60% applied to a small royalty owner plus income taxes on the balance almost amounts to confiscation of property. Oil is property the same as land and buildings. Can anyone imagine the public uproar if all land and homes were taxed on a similar basis?

5. Finally, the farmer is being unmercifully squeezed between high costs and low prices for his farm products so why punish him additionally with a totally unfair windfall tax to add to his already difficult financial problems.

With the above in mind, we respectfully request that Senate Bill S-2521 and House Bill H.R. 7127 be favorably acted upon.

NAME	DATE	ADDRESS
Glen L. Reasoner	6-9-80	480 So 2 Nd Brighton Colo
Mary C Reasoner	6/9/80	480 So 2nd Brighton, Colorado 80601

-2-
Mr. Michael Stern
5/29/80

4. A windfall tax of 60% applied to a small royalty owner plus income taxes on the balance almost amounts to confiscation of property. Oil is property the same as land and buildings. Can anyone imagine the public uproar if all land and homes were taxed on a similar basis?

5. Finally, the farmer is being unmercifully squeezed between high costs and low prices for his farm products so why punish him additionally with a totally unfair windfall tax to add to his already difficult financial problems.

With the above in mind, we respectfully request that Senate Bill S-2521 and House Bill H.R. 7127 be favorably acted upon.

NAME	DATE	ADDRESS
Munir F. Ibrahim	6-8-80	10351 Monterey Cir., Denver, Co. 80221
Ardella N. Ibrahim	6-8-80	10351 Monterey Cir, Denver, Co 80221
Juanita J. Taylor	6-8-80	922 W. 101st Ave; Denver 80221
Ramon A. Tallarico	6-8-80	948 East 115th Place, [illegible] 80233
James V. O'Shea	6-9-80	377 Bell Lane Northglenn Co. [illegible]
Darwin J. [illegible]	6/10/80	1070 Darwin Ct Northglenn Co 80221
Leif E. Adams	6/10/80	824 W. 97th Ave. Northglenn Colo 80221
Shara L. Adams	6/10/80	824 W 97th Ave Northglenn 80221
Margaret M. Wittebrant	6/10/80	3743 W. 85th Westminster, Co 80030

-2-
Mr. Michael Stern
5/29/80

4. A windfall tax of 60% applied to a small royalty owner plus income taxes on the balance almost amounts to confiscation of property. Oil is property the same as land and buildings. Can anyone imagine the public uproar if all land and homes were taxed on a similar basis?

5. Finally, the farmer is being unmercifully squeezed between high costs and low prices for his farm products so why punish him additionally with a totally unfair windfall tax to add to his already difficult financial problems.

With the above in mind, we respectfully request that Senate Bill S-2521 and House Bill H.R. 7127 be favorably acted upon.

NAME	DATE	ADDRESS
Albert E. Vatter	6-9-80	No. 1 Ogden Denver Colo 80218
Mary Lou Rafferty	6-10-80	1125 W. 101st Ave. Northglenn CO. 802
Floyd H. Rafferty	6-10-80	1125 W. 101st Ave. Northglenn CO 80221
Horace L Guest	6-11-80	7085 Dover Way Arvada Co 80004
Suzanne Strickland	6-11-80	1070 Darwin Ct Northglenn 80221
Elsie K Smith	6/11/80	845 West 6th Ave, Broomfield 80020
Lyman W. Smith	6-11-80	845 W 6th Ave Broomfield CO 80020
Jerry J. Jesman	6-12-80	2202 W - 118th Ave Northglenn 80234

-2-
Mr. Michael Stern
5/29/80

4. A windfall tax of 60% applied to a small royalty owner plus income taxes on the balance almost amounts to confiscation of property. Oil is property the same as land and buildings. Can anyone imagine the public uproar if all land and homes were taxed on a similar basis?

5. Finally, the farmer is being unmercifully squeezed between high costs and low prices for his farm products so why punish him additionally with a totally unfair windfall tax to add to his already difficult financial problems.

With the above in mind, we respectfully request that Senate Bill S-2821 and House Bill H.R. 7127 be favorably acted upon.

NAME	DATE	ADDRESS
Mark McElwain	Jun 6	238 S. 20th Brighton Colo 80601
[illegible]	6-6-80	311 So 22nd Brighton, Co.
Mary E. [illegible]	6-6-80	311 So 22nd Brighton Co.
Mrs Ruby McElwain	6-6-80	239 So 20th ave Brighton Colorado
Le Roy McElwain by Power attorney Mark McElwain	6-6-80	Collbran Colo Box 75 81624
Nina Ginther Schloss	6-6-80	370 So. 20th Brighton, Co. 80601
Geo. H. Kortum	6-6-80	272 So. [illegible] Brighton Colo
Jean A. Ehler	6-6-80	8540 E. 160 ave. Brighton, Colo. 80601
Mabel A. Aigler	6-6-80	RR2 Box 128 Brighton Colo
Raymond T. Seymour Jr	6-6-80	RR 2 Box 128A Brighton Colo 80601
Maryann D. Seymour	6-6-80	RR 2 Box 128A Brighton Colo 80601
Richard J. Probsch	6-6-80	RT 2 Box 128J Brighton Colo 80601
Del C. [illegible]	6-6-80	RR2 Box 125 Brighton Co 80601
E. S. [illegible] Jr.	6-6-80	R. 2 - Box 139 Brighton Co.
Margaret E. Branning	6-6-80	Rt 2, Box 139K Brighton, Co.

NAME	DATE	ADDRESS
John C. Lauridson	6-6-80	12780 Colo. Blvd. Northglenn, Colo.
Robert Lauridson	6-6-80	12770 Colo. Blvd. Northglenn, Colo.
Clarence Lauridson	6-6-80	6396 Weld Co. Rd 8. Brighton, Colo. 80601
Norma Jean Bessmann	6-6-80	14191 Country Hills Dr. Brighton, Colo. 80601
W. Carl Bessmann	6-6-80	14191 Country Hills Dr. Brighton, Colo.
Roberta J. Bessmann	6-6-80	14191 Country Hills Dr. Brighton 80601
John [illegible] Kalcevic	6-6-80	14261 Country Hills Dr. Brighton 80601
Robert L Bergman	6-7-80	Route 4 Box 253 Brighton Co 80601
Nell J Bergman	6-7-80	Route 4 Box 253 Brighton Co 80601
James H Kilker	6 7 8	21955 E 160th Rt 4 Brighton C 80601
George D. Kilker	6-7-8	19369 Weld Co. Rd. 4
Marian G. Kilker		" " " "
Glen C Alton	6-7-80	898 Bush Brighton, Coll
John A. Pino Jr.	6-7-80	1931 Leona Av. Ft. Lupton, Colo.
Mae A. Pino	6-7-80	1931 Leona Ave, Ft Lupton, Co.
George Fowler	6-7-80	1931 Leona ave Fort Lupton Co.
Leone M. Perry	6-7-80	11735 Julian St. Fort Lupton Colo
Joseph Hewett	6-7-80	2645 Weld Co. Rd 23 Ft Lupton Co.
Arlyne Hewett	6-7-8	
	6-7-80	3876 Weld Co Rd #23 Ft Lupton, Colo
George R Morden	6-7-80	3155 W.C.R. 23 Ft Lupton
Bob M [illegible]		
Antone Hait	6-7-80	3465 W.C. Rd 23 Ft Lupton Colo
Helen M. Hait	6-7-80	3465 W.C. Rd 23 Ft Lupton, Col.
Eugene G Dovenbarger	6-7-80	3695 W.C. RD 23 Ft Lupton Colo
Anna M. Dovenbarger	6-7-80	3695 WCR 23. Ft. Lupton, Colo

-2-
Mr. Michael Stern
5/29/80

4. A windfall tax of 60% applied to a small royalty owner plus income taxes on the balance almost amounts to confiscation of property. Oil is property the same as land and buildings. Can anyone imagine the public uproar if all land and homes were taxed on a similar basis?

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With the above in mind, we respectfully request that Senate Bill S-2521 and House Bill H.R. 7127 be favorably acted upon.

NAME	DATE	ADDRESS
Zuke L. Dreiling	6-7-80	4025 W.Co.R. 23 Ft. Lupton, Colo.
James W. Matheson	6/7/80	11131 WCR 10 Fort Lupton Colo
Paul V Matheson	6/7/80	Star Route 2-36 34-Wiggins Colo.
George Mathews	6/7/80	8250 Clarkson Denver Colo
Claude Fortunato	6/9/80	4496 Weld Co Rd. 23 Ft Lupton Colo.
Louise R. Ackerson	6/9/80	4635 Weld Co Rd 23 - Ft. Lupton, Colo
Mary E Remember	6-7-80	1337 S Grant Longmont, Co 80501
Frances Wieland	6/7/80	5406 WCRd 23, Ft Lupton, Co 80621
Robert S Wieland	6/7/80	5906 WCR 23, Ft Lupton, Co 80621
Donald P. Wattenberg	6/1/80	11111 Co. Hwy 52 Ft Lupton Co 80621 " " " " " "
Eleanor H. Wattenberg	6-7-80	"
Mona S Wattenberg	6-7-80	820 Delta St. Denver Co 80221
James H Wattenberg	6-7-80	820 Delta St Denver, Co 80221
H A Burge	6-7-80	Grand Junction Colo

NAME	DATE	ADDRESS
Ethel Burgie	6/7/80	11371 Colo. Hwy 52 Fort Lupton Colorado
Mary E. Zufc.	6/7/80	16821 Colo Hwy 52 Fort Lupton Colo 80621
Frank J. Suckla	6-7-80	4468 Weld Co Rd 19 Ft Lupton
Edith C. Suckla	6-7-80	4468 W.C. Rd. 19 Ft Lupton Colo. 80621
Floyd L. Hewitt	6-7-80	1591 Egbert St Brighton Colo 80601
Vera R. Hewitt	6-7-80	" " " " "
Bill D. Morrow	6-7-80	829 So 1st Ave. Brighton Colo. 80601
M. Arlene Morrow	6-9-80	829 " " " " " "
Leonard A Case	6-7-80	Rt 1 Box 297 Brighton Colo 80601
Lawrence A Case	6-7-80	R#1 Box 296 A Brighton, Colo
John A Case	6-78	R1 Box 295 Brighton Colo
Isabel Seltzer	6-7-80	R1 Box 320 Brighton, Colo
Robert Seltzer	6-71-80	Rt I Box 322 Brighton Colo.
[illegible]	6-780	R1 Box 324 Brighton, Colo.
B. J. Watkins	6-7-80	16300 Yosemite Brighton, Colo.
Laverne H. Watkins	6-7-80	16300 YOSEMITE BRIGHTON, COLO.
[illegible]	6-7-80	Rt. 242 Brighton Co
Allen E Brazee	6-7-80	10650 E. 160th Brighton Co
Mrs. A Meyer	6-7-8	10650 E 160th Brighton, Co
Grace a. Lewis	6-7-80	144 South 8th Ave. Brighton Colo
Robert G. Burge	6-9-80	659 Jessup St Apt. # Brighton, CO
Jim B. Roth	6-9-80	1766 South 28th Brighton Colo
Mrs. A. D. Smick	6-9-80	16525 N. Tucson. Brighton Co 80601
Edwin Sebold	6-9-80	10463 W.C. Rd. 6 Ft. Lupton, Colo. 80621
Clara Sebold	6-9-80	" " " " "
Mrs. Ben Sebold	6-9-80	Park Ave. Johnstown, Colo.
Clarence Blyler Jr	6-9-80	9703 Weld Rd 6 Ft Lupton

4. A windfall tax of 60% applied to a small royalty owner plus income taxes on the balance almost amounts to confiscation of property. Oil is property the same as land and buildings. Can anyone imagine the public uproar if all land and homes were taxed on a similar basis?

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With the above in mind, we respectfully request that Senate Bill S-2521 and House Bill H.R. 7127 be favorably acted upon.

NAME	DATE	ADDRESS
John W Ehler	6/9/80	8891 East 160th Ave Brighton, Colo
[illegible] Gayle Ehler	6/9/80	8891 East 160th Ave Brighton, Colorado
Hubert A. Haugen	6/10/80	121 Iowa Ave, Strasburg, Colorado 80136
Florence M. Haugen	6/10/80	121 Iowa Ave, Strasburg, Colorado 80136
John Neira	6/11/80	1596 Wagener Street Strasburg Colo 80136
Grace Neira	6/11/80	1596 Wagener Street, Strasburg Colo. 80136
Frank Hanlon	6/11/80	Rt. 1 Bx 77 Strasburg Co. 80136
Merle L. Hanlon	6/11/80	Rt. 1 Bx 77 Strasburg, Colo. 80136
Vencil T. Helgu	6/12/80	Rt 1, Box 73, Strasburg, Colo 80136
Anna [illegible] Gracker	6/12/80	Box 91 Strasburg, Colo 80136.
Ernest K. Neulander	6/12/80	R#2-Box 243-Brighton, Colo. 80681
Edward [illegible] Neulander	6/12/80	R#2. Box 243- Brighton Colo 80601

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NAME	DATE	ADDRESS
Carol C. Howard	6/9/80	8709 WCR 4 Brighton, Colo.
John F Rupert	6/9/80	423 - Rd 17 Brighton, Colo.
Bob Bailey	6/9/80	4878 I-25 Erie, Colo-
[illegible]	6/9/80	4878 I-25 Erie, Colo
Mato Oine	6/9/80	4784 W.C.R. 12 Erie Colo
Duane E. Nelson	6/9/80	8474 I 25. Longmont Co.
Craig Anderson	6/9/80	8564 WCR 7 Longmont Colo.
J. Arthur Anderson	6/9/80	2934 Weld County Rd 34 Longmont
Mrs. John Mayeda	6/9/80	11140 Weld County Rd. 1 Longmont, Colo
Robert Y Sakata DBA Sakata Farms Inc.	6/9/80	P.O. Box 494 Brighton, Colo
Joanna Sakata	6/9/80	P.O. Box 494 Brighton Colo Weld C [illegible]
Oscar Haake Jr DBA HAAKE Farms	6/9/80	R.R. 2 Box 5 Brighton Colo. 80601
Buddy Haake by Haake Farms	6/9/80	Rt 2 Box S Brighton Colo. 80601
Mozell Haake by Haake Farms	6/9/80	Rt 2 Box S Brighton Colo. 80601

NAME	DATE	ADDRESS
Martin Haake (Haake Farms)	6-9-80	12711 East 160th Brighton
Mary Haake (Haake Farms)	6-9-80	12711 E. 160th Brighton
James E. Hughes	6-9-80	12990 Quebec Brighton
Darrell D. Bailey	6-9-80	13351 Yosemite Brighton colo
Thelma Bailey	6-9-80	13351 Yosemite Brighton Colo
[illegible] M. Reed	6-9-80	13251 Yosemite St Brighton CO
Thelma J. Reed	6-9-80	13251 Yosemite Brighton Colo.
Robert M. Butler	6-9-80	Rt 2 Box 139 Brighton Colo
V. Louise Butler	6-9-80	Rt 2 Box 139 Brighton, Colo By R.M.B
R. A. King	6-6-80	R 2 Box 124 Brighton CO
Marie Sandlin	6-6-80	12755 Nome St #3 Brighton, Colo
Maria Allen	9-6-80	12855 Nome St Brighton, Colo
Lloyd Land	6-6-80	14021 Country Hills Dr. Brighton Colo. 80601
Gillian Land	6-9-80	14021 Country Hills Dr. Brighton, Colo
Jack O. Cavender	6-9-80	14041 Country Hills Dr. Brighton Colo.
Alice E. Cavender	6-9-80	14041 Country Hills Dr. Brighton, Co.
[illegible] F. Rock	6-9-80	811 South 6th Brighton, Colorado. 80601
[illegible] H. McLain	6-10-80	371 So 20th Ave, Brighton, Colo 80601
Mike O[illegible]	6-10-80	13215 Weld Co #8 Brighton, Colo.
Ralph J. Sautter	6-10-80	8045 Denver Ave Ft. Lupton Co
	6-10-80	1000 Hoover Ave, Ft. Lupton, Co.
Viola Van Cleve	6-10-80	340 3rd St., Ft. Lupton, Co.
Frank J. Voigl	6-10-80	5535 Weld Co. Rd. 23 Ft. Lupton Colo.
Joseph Carl Stone	6-10-80	170 So 14th ave - Brighton, Co 80601
Virginia R. Stone	6-10-80	170 So 14th ave Brighton, Co 80601

NAME	DATE	ADDRESS
William Schwab	6-11-80	621 So 4th ave Brighton, Colorado
Helen D. Schwab	6-11-80	621 So 4th Ave Brighton, Co.

2-
. Michael Stern
/29/80

4. A windfall tax of 60% applied to a small royalty owner plus income taxes on the balance almost amounts to confiscation of property. Oil is property the same as land and buildings. Can anyone imagine the public uproar if all land and homes were taxed on a similar basis?

5. Finally, the farmer is being unmercifully squeezed between high costs and low prices for his farm products so why punish him additionally with a totally unfair windfall tax to add to his already difficult financial problems.

th the above in mind, we respectfully request that Senate Bill 2521 and House Bill H.R. 7127 be favorably acted upon.

ME	DATE	ADDRESS
irley L. Nygren	6/11/80	7418 Highway 52 Fort Lupton Colo. 80621
len M. C. Anderson		8264 Weld Co Rd 7 Longmont
el Anderson	6-11-80	8284 Weld Co. Rd 7 Longmont Colo
th Ann Jillson	6-11-80	2877 Weld Co Rd 18 Longmont Colo
la J. Richardson	6-11-80	7945 N. 41st Longmont, Colo.

May 26, 1980

Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Re: Windfall Profit Tax

Dear Mr. Stern:

We are land owners, farmers with oil royalty income from said land. The present windfall profit tax taxes small royalty owners at the same rate as Exxon and other large oil industry giants. Many royalty owners in Kansas and Oklahoma - Farmers and others - are dependent on the modest royalty check we receive to help weather the depressed farm market. Since the wheat embargo the farm prices are below production costs and the oil income is needed to meet farm expenses, taxes and live. Many of us, who are on Social Security need the oil income to meet rising expenses due to inflation. We should not have to pay this windfall profit tax. This tax is a real hardship on some people.

We support Senate Bill 2521. S. 2521 would entirely exempt royalty owners from the windfall profit tax for up to a total of 10 Barrels per day of royalty interest.

PLEASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Bernard Wopfick	Hoisington Ks 67544
[illegible]	Hoisington Ks 67544
[illegible]	Russell Ks 67665
Ellen M Berry	HOISINGTON KS 67544
[illegible]	Bushton Ks 67427
Gladys Dolezal	Hoisington Kan 67544
Claude Allen	Hoisington Kan 67544
[illegible]	Hoisington Kan 67544
Edward Rusa	Hoisington, Kan 67544
Leonard Ehlert	Hoisington Kan 67544
Dennis King	Hoisington Kans 67544
Tracey L Kelley	Susank Kan 67580
Penelope Bott	Hoisington KAN 67544

May 28, 1980

al Stern, Staff Director
ittee on Finance
2227 Dirksen Senate Office Bldg.
ington, D. C. 20510

Re: Windfall Profit Tax

Mr. Stern:

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AE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Robert F [illegible]	Hoisington, Kans RR#1 67544
Roy C. [illegible]	Address 67564
[illegible] Morgenstern	Hoisington Ks 67544
Everett W. Berry	R2 Russell Ks 67665
Earl W Booth	Susank Kans 67580
Alan [illegible]	Russell RT2 Ks. 67665
[illegible]	Bunker Hill Ks 67626
[illegible]	Box 91 Ellinwood, Ks 67526
Leon Klug	Box 386 Susank, Ks 67580
Harold L. Walker	Hoisington Box 107 67544
Chet [illegible]	Box 214 Ellinwood, Ks. 67526
Jim Kuntzel	670 E 5th " " 67526

May 28, 1980

Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Re: Windfall Profit Tax

Dear Mr. Stern:

We are land owners, farmers with oil royalty income from said land. The present windfall profit tax taxes small royalty owners at the same rate as Exxon and other large oil industry giants. Many royalty owners in Kansas and Oklahoma - Farmers and others - are dependent on the modest royalty check we receive to help weather the depressed farm market. Since the wheat embargo the farm prices are below production costs and the oil income is needed to meet farm expenses, taxes and live. Many of us, who are on Social Security, need the oil income to meet rising expenses due to inflation. We should not have to pay this windfall profit tax. This tax is a real hardship on some people.

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PLEASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Name	Address
Carole Bass	Claflin Ks.
Robert Batt	Hoisington Kan R 2 67544
Don J. Reif	Hoisington 214 N. Elm 67544
Richard Berry	Russell Kansas 67665
Mrs Ruth Brinson	Susank, Kans. 67580
Edwin Templin	Hoisington Kans R.R. 2 67544
Steve [illegible]	Gt. Bend, Kans 67530
Robert Howard	Great Bend Ks 67530
Ray Bradshaw	Hoisington Kans 67544
Dale Batt	Russell Kans 67665
Gene Batt	Russell Kansas 67665
Louis G. Beizer	Hoisington Kans 67544

May 29, 1980

chael Stern, Staff Director
mittee on Finance
m 2227 Dirksen Senate Office Bldg.
shington, D. C. 20510

Re: Windfall Profit Tax

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EASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

[illegible]	RUSSELL KANSAS	67665
rnell [illegible]	Russell Kans	67645
lvin C. White	Russell Kansas	67665
arry Brookshier	Ellinwood	67526
W. Strange	Russell Kansas	67665
Patricia Redetzke	Susank Kans	67580
Dennis J. Bowe	Susank Kansas	67580
Dianne Scott	Hoisington Ks.	67544
arry W. Phillips	Bunker Hill Ks	67626
ulag Gondeez Jr.	Bunker Hill Ks	67626
Don Gideon	Great Bend Ks	67530
Michael L. Foll	Great Bend, Ks.	67530

May 29, 1980

Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Re: Windfall Profit Tax

Dear Mr. Stern:

We are land owners, farmers with oil royalty income from said land. The present windfall profit tax taxes small royalty owners at the same rate as Exxon and other large oil industry giants. Many royalty owners in Kansas and Oklahoma - Farmers and others - are dependent on the modest royalty check we receive to help weather the depressed farm market. Since the wheat embargo the farm prices are below production costs and the oil income is needed to meet farm expenses, taxes and live. Many of us, who are on Social Security need the oil income to meet rising expenses due to inflation. We should not have to pay this windfall profit tax. This tax is a real hardship on some people.

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PLEASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Elmer H. Trapp	Box 419 Susank Kans. 67580
Mrs. Elmer Trapp	Susank, Kans 67580
Darrell Sigler	Box 365 Susank [illegible] 67580
Robert Lee Miller Jr.	RR1 Claflin Ks. 67525
John Schremmer	Claflin Ks 67525
[illegible] R. Rupp	Hoisington Kan 67544
Don Rupp	RR1 Hoisington Kansas
A. L. Chenoweth	Susank Kansas 67580
Alvin Dowd	Susank Kan. 67580
Ruben Mishaelis	Susank Kans 67540
Orval E. Weeks	Box 471, Hoisington, Kans 67544
Homer G. Taggart	2316 N. Conniff St., Great Bend Kan 675
[illegible] D. Taggart	2316 N.C. Conniff, Great Bend Ks. 67530

pages tightly bound

May 29, 1980

Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Re: Windfall Profit Tax

Dear Mr. Stern:

We are land owners, farmers with oil royalty income from said land. The present windfall profit tax taxes small royalty owners at the same rate as Exxon and other large oil industry giants. Many royalty owners in Kansas and Oklahoma - Farmers and others - are dependent on the modest royalty check we receive to help weather the depressed farm market. Since the wheat embargo the farm prices are below production costs and the oil income is needed to meet farm expenses, taxes and live. Many of us, who are on Social Security, need the oil income to meet rising expenses due to inflation. We should not have to pay this windfall profit tax. This tax is a real hardship on some people.

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PLEASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Roger R. Berry Name	ROUTE 1 HOISINGTON KS 67544 Address
Eugene W. Bitter	Route 2 Hoisington, Kan 67544
[illegible]	Hoisington, Kas 67544
[illegible]	Susank Ks. 67580
[illegible]	808 E 3rd Hoisington Ks 67544
[illegible]	Susank Kan 67580
Charles [illegible]	Lorraine Kans. 67459
[illegible] Riedl	Hoisington 67544
[illegible]	Claflin Kans Box 44 67525
Alfred [illegible]	Hoisington Kansas Route 1 67544
[illegible]	[illegible] Kansas 67200
[illegible]	Russell Kansas 67665

May 30, 1980

Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Re: Windfall Profit Tax

Dear Mr. Stern:

We are land owners, farmers with oil royalty income from said land. The present windfall profit tax taxes small royalty owners at the same rate as Exxon and other large oil industry giants. Many royalty owners in Kansas and Oklahoma - Farmers and others - are dependent on the modest royalty check we receive to help weather the depressed farm market. Since the wheat embargo the farm prices are below production costs and the oil income is needed to meet farm expenses, taxes and live. Many of us, who are on Social Security, need the oil income to meet rising expenses due to inflation. We should not have to pay this windfall profit tax. This tax is a real hardship on some people.

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PLEASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Name	Address
W. H. Kaufman	Dorrance Kansas 67634
[illegible]	504 E. 4th Hoisington Ks 67544
Ronald H. [illegible]	504 E 4th Hoisington Ks 67544
Darlene [illegible]	Dorrance Kansas 67634
Bruce K. Betts	Russell, Kansas 67665
Helen [illegible]	561 West 11th Hoisington Ks 67544
R. A. [illegible]	Bison Kansas 67517
William [illegible]	Hoisington Ks 67544
[illegible] Jacobs	Odin Kans 67562
[illegible]	Odin K 67562
Mr. Mrs. Albert [illegible]	Hoisington, Kans. Rt. 67544
James K. [illegible]	Hoisington Kans Rt 2 - 67544
Dorothy Reif	Hoisington, Kansas R 1 Hoisington 67544

date

May 30, 1980

chael Stern, Staff Director
mittee on Finance
om 2227 Dirksen Senate Office Bldg.
shington, D. C. 20510

Re: Windfall Profit Tax

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EASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Raymond Funk	Rt 1 - Box 46 Russell, Kansas
Name	Address
Frieda Funk	Herington, Ks. R.2
Lester Popp	Herington Kansas
Pauline Popp	Herington Kansas
Constantine Hart	Herington Kans R#2
Reuben Weiss	Russell Kansas Rte 2
Herman Popp	Herington Kan. R. 2
Alice C. Batt	Herington Kansas R.2
Edwin Templing	Herington Kansas R#2
Esther Hattinger	Herington Kansas 724 E 6th
Wilma H. Albrecht	408 West 17th Russell Ks 67665
Isabel Radke	Route 2 Russell Kans 67665
Palmer Cotten	RR#1 Russell Kansas.
Walter Nagel	R 1 Russell Kansas 67665

June 2, 1980 date

Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Re: Windfall Profit Tax

Dear Mr. Stern:

We are land owners, farmers with oil royalty income from said land. The present windfall profit tax taxes small royalty owners at the same rate as Exxon and other large oil industry giants. Many royalty owners in Kansas and Oklahoma - Farmers and others - are dependent on the modest royalty check we receive to help weather the depressed farm market. Since the wheat embargo the farm prices are below production costs and the oil income is needed to meet farm expenses, taxes and live. Many of us, who are on Social Security, need the oil income to meet rising expenses due to inflation. We should not have to pay this windfall profit tax. This tax is a real hardship on some people.

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PLEASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Hubert H. Kiel 911 W. 7th Russell Kan.

Name	Address
Robert C. Kast	Herington Kans R. 2.
Sigmund Beckeyer	Russell Kans Box 84
Ed Morgenstern	Russell - - - 405 E 7th
Mrs Ethel Popp	Herington Kans R 2
Robert Batt	Herington Kansas R.2
Leonard Stittinger	Herington Ks 724 E 6th
Richard Wellbrock	Box 388 Russell Ks 67665
Marvin Radke	Rt2 Russell Kans 67665
Lillian Fink	Rt1 Russell Kansas
Alice Cotten	R1 Russell Kansas
Rachel Nuss	R2 Russell Kansas 67665.
Raymond R. Sch	R2 Russell Kans 67665
Eleanor M. Riedel	Rt 2 Herington, Ks. 67544

June 2, 1980 date

Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Re: Windfall Profit Tax

Dear Mr. Stern:

We are land owners, farmers with oil royalty income from said land. The present windfall profit tax taxes small royalty owners at the same rate as Exxon and other large oil industry giants. Many royalty owners in Kansas and Oklahoma - Farmers and others - are dependent on the modest royalty check we receive to help weather the depressed farm market. Since the wheat embargo the farm prices are below production costs and the oil income is needed to meet farm expenses, taxes and live. Many of us, who are on Social Security, need the oil income to meet rising expenses due to inflation. We should not have to pay this windfall profit tax. This tax is a real hardship on some people.

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PLEASE GET THIS MESSAGE TO THE SENATE.

Evelyn Schauf Jacobs Rt. Hoisington, Ks. 67544

Sincerely,

Name	Address
Joan Bircher	Rt. 1 Russell Ks.
Shirley Arnhold	250 E. 6th Russell, Kansas
Ruby Strand	537 W. 6 Russell Ks
Mr & Mrs Alfred E Jacobs	1512 N Ash Russell Ks
Mr & Mrs Franklin Nay	R.R. 2 Hoisington Ks.
Dr. & Mrs E. C. Jones	105 W 10 [illegible] Ks 67439
[illegible]	Colo Springs
Mr & Mrs [illegible]	[illegible] Okla
Leonard M. Kasper	R 1 Ellinwood Ks 67526
Frank a Shaw	Wilson Kansas 67490
Kenneth A. Nay	RR 2 Hoisington, Kansas 67544
Lorraine E Jacobs	[illegible]
Carolyn M. Dolechek	Wilson Ks.
Margaret R. Nay	Wilson Kansas

(over)

Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

June 6, 1980

Re: Windfall Profit Tax

Dear Mr. Stern:

We are land owners, farmers with oil royalty income from said land. The present windfall profit tax taxes small royalty owners at the same rate as Exxon and other large oil industry giants. Many royalty owners in Kansas and Oklahoma - Farmers and others - are dependent on the modest royalty check we receive to help weather the depressed farm market. Since the wheat embargo the farm prices are below production costs and the oil income is needed to meet farm expenses, taxes and live. Many of us, who are on Social Security, need the oil income to meet rising expenses due to inflation. We should not have to pay this windfall profit tax. This tax is a real hardship on some people.

We support Senate Bill 2521. S. 2521 would entirely exempt royalty owners from the windfall profit tax for up to a total of 10 barrels per day of royalty interest.

PLEASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Name	Address
Carl Staudinger	Dorrance Kansas 67634
Milton Staudinger	Hoisington, Kan. 67544
Bernard Kramer	Hoisington Ka. 67544
Herman Born	160 W. 5 Hoisington Ka. 67544
Nicholas Schauf	400 E 1st Ellinwood Kan 67526
Violet Schauf	400 E. 1st Ellinwood Kansas 67526
Grace Koehler	111 E 3rd Ellinwood, Kan. 67526
Lawrence Miller	Rt Hoisington Kansas 67544
Veronica Hitschmann	Claflin Kansas 67525
Arthur S. Jenisch	Odin, Kansas 67562
Adele Schremmer	Hoisington Kansas 67544
Margaret Steiner	Hoisington Kans 67544

June 6, 1980

Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Re: Windfall Profit Tax

Dear Mr. Stern:

We are land owners, farmers with oil royalty income from said land. The present windfall profit tax taxes small royalty owners at the same rate as Exxon and other large oil industry giants. Many royalty owners in Kansas and Oklahoma - Farmers and others - are dependent on the modest royalty check we receive to help weather the depressed farm market. Since the wheat embargo the farm prices are below production costs and the oil income is needed to meet farm expenses, taxes and live. Many of us, who are on Social Security, need the oil income to meet rising expenses due to inflation. We should not have to pay this windfall profit tax. This tax is a real hardship on some people.

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PLEASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Homer Wakefield	Claflin Kans
Esther Wakefield	Claflin Kansas
August Kaufman	Rt 2, Russell, Kansas 67665
Ferne Trapp	Susank Ks. 67582
Albert L. Hoffman	RR Claflin, Kan 67525
Joe Finger	371 W 5 Hois
Matilda Finger	371 W.5. Hois.
Mrs Joe Tinkel	Bison Kans
M Joe Lamatsch	Dorrance Kansas
[illegible] Kitchmann	Claflin Kansas
Frank A Strehmer	Claflin Kansas
Anna Steinbriger	Hoisington Kans R1
[illegible]	Claflin Ks

June 7, 1980

Michael Stern, Staff Director
Committee on Finance
Room 2227 Dirksen Senate Office Bldg.
Washington, D. C. 20510

Re: Windfall Profit Tax

Dear Mr. Stern:

We are land owners, farmers with oil royalty income from said land. The present windfall profit tax taxes small royalty owners at the same rate as Exxon and other large oil industry giants. Many royalty owners in Kansas and Oklahoma - Farmers and others - are dependent on the modest royalty check we receive to help weather the depressed farm market. Since the wheat embargo the farm prices are below production costs and the oil income is needed to meet farm expenses, taxes and live. Many of us, who are on Social Security, need the oil income to meet rising expenses due to inflation. We should not have to pay this windfall profit tax. This tax is a real hardship on some people.

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PLEASE GET THIS MESSAGE TO THE SENATE.

Sincerely,

Name	Address
Henry Steudinger	Hoisington Kan.
Nick Thill	Claflin Kan
Clarence Bickel	Hoisington Ks
[illegible]	Claflin Kansas
[illegible] M [illegible]	Hoisington Kansas R1,
Thomas L [illegible]	Great Bend Kansas RR1
Joe [illegible]	Dorrance Kans.
[illegible]	Denver Colo
William E [illegible]	Claflin Ks
Joseph A [illegible]	Claflin Ks
[illegible]	Ellinwood Ks

More signatures on back

Mary H. Jenisch Claflin Kansas
Francis Zorn Claflin Ks
Leona Jenisch
Mick Boor. Odin KS
Anna Boor Odin Ks
ames N. Berger Ellinwood Ks
erna Redetzke Claflin Kans
usan Redetzke Claflin Ks.
elma Sauber Claflin Ks.
Mary Tinkel Beaver Ks
Viola Weber - Hoisington
Agnes Staudinger Wilson, Kans.
Otto Wirth Claflin Kansas
Al Prusa Claflin Kansas
Albert Tinkel Claflin Kansas

For those people who are not on the witness list, who may have letters, written statements, or some document that indicates how the tax applies to you, we would be very happy to receive them. They will be made a part of the official record. They will be made available to other Senators on the Finance Committee. If you have a statement with you today, if you'll just take it to this table it will be made a part of the record.

OAKBROOK TERRACE, ILL.

MR. MICHAEL STERN,
Staff Director, Committee on Finance, Dirksen Senate Office Building, Washington, D.C.

The Windfall Profit Tax Act of 1980 is grossly unfair. It applies the same rate of taxation to small royalty owners as it does to large oil companies. I do not believe this is what the Congress intended, and I urge passage of a bill which would exempt small royalty owners from this most unjust form of taxation.

Small royalty owners and landowners are, for the most part, struggling to make a living and depend on the little income they get from the oil royalties to help meet other expenses of running a farm. The small family farm is the backbone of this nation. Congressional mis-actions like the Windfall Profit Tax Act of 1980 are crippling this very important part of our economy. This should be remedied at once by passage of S. 2521 or a similar bill exempting these small royalty owners from the tax. It is certainly no windfall profit to them, and in no way should they be taxed at the same rate as a big oil company making billions of dollars in profits. The small royalty owners are helpless to do anything about it.

In my case, my wife and I bought a small parcel of land in Rice County, Kansas, in August of 1979. At that time, oil was selling for $28.49 per barrel and although we paid a premium for the oil rights, it still looked like a pretty good investment. Now, however, through the Windfall Profit Tax Act, this "pretty good investment" isn't looking so good. After the windfall profits tax, we now get about $25.00 per barrel, which doesn't seem like a windfall profit to me but like I have been robbed. It seems unconstitutional to me that Congress can levy a tax which is not evenly distributed among the people. Would taxation without representation be worse? I don't know. I think Congress is a victim of some heavy pressure because of the "obscene" profits reported by the press, in great length. (Since when did the word "profit" become a dirty word anyway?) However, why did they include the poor innocent landowner? His only crime seems to be that he chose to buy a piece of land that had some oil beneath the soil.

I thought this country was founded on the theory of free enterprise. That is, if you work hard, save your money, and look after yourself you may some day be able to put enough aside to buy a piece of land and maybe get a little return on your investment. Well, with the windfall profits tax, it didn't quite work out that way for me. I worked hard, saved my money, bought a piece of land which happened to have some oil on it (and for which I paid dearly), and now Congress has seen fit to steal it from me.

The new theory in this country seems to be, with Congressional approval, of get poor, get on relief, and Uncle Sam will look out for you. However, I don't buy this theory and I strongly resent Congress stealing my money to help out the poor. Let them (the poor) get out and go to work every day like I do. The vast majority of the people on relief are more able to go to work each day than I am.

S. 2521 should be passed at once to give the small royalty owner some much needed relief from this unjust form of taxation. Income from investments should all be treated the same; that is, taxed at the same rate. I am not a big oil company, and I don't want to be treated like one.

Sincerely,

C. W. JONES, Jr.

CAWKER CITY, KANS.

Mr. MICHAEL STERN,
Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C.

The Windfall Profit Tax Act of 1980 is grossly unfair. It applies the same rate of taxation to small royalty owners as it does to large oil companies. I do not believe this is what the members of Congress had in mind, and I strongly urge passage of S. 2521 or a similar bill which would exempt small royalty owners from this most unfair form of taxation.

Small royalty owners and landowners are, for the most part, struggling to make a living. They depend on what little income they get from the oil royalties to help meet other expenses of running a farm, or to meet other expenses in their daily lives. Congressional mis-actions like the Windfall Profit Tax Act of 1980 are crippling this very important part of our economy. This should be remedied at once by passage of S. 2521 exempting these small royalty owners from this tax. It is certainly no windfall profit to them, and in no way should they be taxed at the same rate as a big oil companies making billions of dollars in profits. The small royalty owners are helpless to do anything about it.

In my case, my wife and I bought a small parcel of land in Rice County, Kansas, in August of 1979. At that time, oil was selling for $28.49 per barrel, and we had never heard of a windfall profit tax. Although we paid a premium for the oil rights, it still looked like a pretty good investment. Now, however, through the Windfall Profit Tax Act, this "pretty good investment" isn't looking so good. After the tax, we now get about $25.00 per barrel, or $3.49 less than when we purchased the land. This doesn't seem like a profit to me, but like I have been robbed. I believe it is unconstitutional to levy a tax which is not distributed evenly among the people. Why should one group have to pay while another doesn't? Would taxation without representation be worse? I don't know. I think Congress is a victim of some heavy pressure because of the "obscene" profits reported by the press of this nation in great length. (Since when did the word "profit" become a dirty word, anyway?) However, why did they include the poor innocent landowner? His only crime seems to be that he chose to buy a piece of land which happened to have some oil beneath the soil

I thought this country was founded on the theory of free enterprise. That is, if you work hard, save your money and look after yourself, you may some day be able to put enough aside to buy a piece of land and maybe get a little return on your investment. Well, with the windfall profits tax, it didn't quite work out that way for me. I worked hard, saved my money, bought some land which just happened to have some oil beneath the surface, and for which I paid a premium price—and now Congress has seen fit to steal my money from me.

The new theory in this country seems to be to get poor, get on relief, and the government will look after you. I don't buy this. The poor people, most of whom are able-bodied and poor by choice, should have to get to work like I do. Most of them are physically more able. In any case, Congress has no right to steal my money to give to them.

S. 2521 should be passed at once to give the small royalty owner some much needed relief from this unjust form of taxation. Income from investments should all be treated the same; that is, taxed at the same rate. I am not a big oil company, and I don't want to be treated like one.

Sincerely,

LLOYD SCHREUDER.

Re S. 2521—Exempting small royalty owners from windfall profit tax.

Mr. MICHEL STERN,
Staff Director, Committee on Finance,
Washington, D.C.

STATEMENT FOR INCLUSION IN HEARINGS

The Windfall Profit Tax Act of 1980 is grossly unfair. It applies the same rate of taxation to small royalty owners as it does to large oil companies. I do not believe this is what the members of Congress intended, and I urge passage of a bill which would exempt small royalty owners from this most unjust form of taxation.

Small royalty owners and landowners are, for the most part, struggling to make a living. Many of us depend on the little income we get from oil royalties to help meet other expenses in our daily life. The small family farm is the backbone of this nation. Congressional mis-actions like the Windfall Profit Tax Act of 1980 are crippling this very important part of our economy. Congress should remedy this at once by passage of S. 2521 or some similar bill exempting small royalty owners from this unfair tax. It is certainly no windfall profit to them, and in no way should a small royalty owner be taxed at the same rate as a big oil company making billions of dollars. The small royalty owners are helpless to do anything about it.

In my case, I purchased a small parcel of land in Rice County, Kansas, in August of 1979. At the time oil was selling for $28.49 per barrel and although I paid a premium for the oil rights, it still looked like a good investment. Now, however, through the Windfall Profit Tax Act, this "good investment" isn't looking quite so good. After the windfall profits tax, I now get around $25.00 per barrel, which I hope you can figure is $3.49 less than I was getting. Some windfall. It doesn't seem like a windfall profit to me, but like I have been robbed. I believe Congress was the victim of heavy pressure because of the "obscene" profits reported at great length by the nation's press. (Since when did the word "profit" become a dirty word, anyway?) However, in their efforts to "strike back" at the oil companies, why did they include the poor innocent landowner? His only crime seems to be that he chose to buy a piece of land that happened to have some oil beneath the soil.

I thought this country was founded on the theory of free enterprise. You work hard, save your money, and try to put aside something for your old age. Well, I worked hard, saved my money, bought something which I thought would bring me a little income in my old age, and all of a sudden, Congress is stealing part of it. I protest.

The new theory in this country seems to be that if you are poor enough, you can get put on relief and Uncle Sam will take care of you. However, I don't buy this theory and I strongly resent Congress stealing my money to give to the poor. The vast majority of the poor people in this country are too lazy to work, and most of them are most more physically fit to go to work each day than I am.

S. 2521 should be passed at once to give the small royalty owner some much needed relief from this unjust form of taxation. Income from investments should all be treated the same; that is, taxed at the same rate. I am not a big oil company, and I don't want to be treated like one.

Sincerely,

LILA HINK.

STATEMENT TO U.S. SENATE COMMITTEE ON FINANCE, BY R. LAMAR MOORE, RE S. 2521

This Statement is submitted by R. Lamar Moore (mailing address P.O. Box 190), Moultrie, Georgia 31768 to urge the Committee to recommend, and the Senate to approve, S. 2521, which grants an exemption of 10 barrels of oil per day from the Windfall Profits Tax for "royalty owners."

NATURE AND DESCRIPTION OF A "ROYALTY"

Many people who are not familiar with oil production do not understand the nature of the leasing arrangements and the landowner's "royalty." First, a royalty owner is not "Big Oil." He is not even "Little Oil." If anything, he is "Little Bitty Oil." If to anyone the term "royalty" connotes wealth or bigness, wherever you read "royalty" substitute "pittance", because the vast majority of royalty checks are small.

The royalty under an oil lease is that portion of the oil retained by the landowner. Usually this is one-eighth (⅛) of the oil produced, collectible by the landowner at the wellhead. The oil lease gives the lessee (which is usually a major oil company or an independent producer) the right to drill wells and produce oil, and the lessee, or its assigns, operates the well, or the oil field. The usual practice is for the lessee to pay the landowner the market price of his oil each month as it is extracted from the ground. The lessee's interest (sometimes called "working interest") is usually seven-eighths (⅞) of the oil, but the expense of drilling and extracting the oil is upon the working interest, and not upon the royalty owner.

Those who explore for oil will not begin to drill wells until they have a sufficient block of leases covering the area under which they think oil exists.

Therefore, it is important to them to obtain these leases by giving the landowner something from the results of the effort. The oil at the outset is owned by the landowner as part of his land. He gives the right to extract this portion of his property and retain his one-eighth (⅛) "royalty" interest. The lease gives the absolute right to the lessee to explore for and produce the oil and to control the production within the limits of applicable laws governing production.

ROYALTY AS RELATED TO THE WINDFALL PROFITS TAX

Relating the nature of the "royalty" to the Windfall Profits Tax it is well to remember the following:

(1) The oil which the producer takes from the landowner's land is a part of his land, and is, when produced, an exhausting resource.

(2) The landowner, by leasing his land for exploration, has lost control of the oil, and can neither prevent the exploration therefor, nor the production and disposition thereof, regardless of the market price payable to him, or the tax deducted from that price.

(3) Unlike the producer, the landowner cannot pass the tax to the consumer, because he is forced to sell his product wholesale in a market over which he has no control.

(4) The only way that the landowner can prevent the confiscation of his resource is to decline to lease his land for exploration, and when landowners become aware of what is being taken from them under the Windfall Profits Tax they will probably so decline, thus hindering exploration.

(5) The Windfall Profits Tax on the landowner is the same rate (70 percent) as the tax on the major oil companies. (The major oil companies can (and are necessarily required to) pass the impact of taxes to the consumer in order to survive, whereas the landowner, as noted above, is helpless.)

Summarizing, therefore, the Windfall Profits Tax hurts the landowners and will hinder exploration.

ACQUISITION OF ROYALTY

In most instances, the royality evolves from the ownership of land by a farmer. As noted above it results in a "royalty" because he leases his land to an explorer who risks his money to find oil. The farmer therefore "acquired" his royalty by acquiring his land, and perhaps struggling over a period of years to hold on to it. He farmed it, in many instances not making much money, but laboring, thinking, planning, sacrificing and maintaining himself in the face of adverse weather, weeds, boll weevils, corn worms, nematodes, and whatever other pests that eat crops, and in the face of adverse markets beyond his control. He did not receive his "royalty" as a crowned prince; he struggled for it as a peasant.

The writer of this statement is a farmer, and he well knows whereof he speaks. The "royalty" represents the endless labors of the landowner in most instances; it is part of his land; it is part of him; the taking of it by a confiscatory tax, is no less abusive than the government going out, singling out farmers, and with land moving machinery, taking one-eighth of their topsoil. Those who were fortunate enough to buy land that contained oil, whether through design or luck, are entitled to the benefits of their labors, their judgment, their sacrifices, and even their luck.

DEPENDENCE UPON ROYALTIES

At the hearing held by the Senate Finance Committee in Oklahoma City on this bill recently, when asked how many had relied upon their royalty as a part of their retirement and as a supplement to their waning social security, about two-thirds of the audience attending the hearing stood up. The writer attended the hearing. I did see two or three people in Cadillacs, but the rest of them were driving Chevys and other mortgaged models just like my 1975 Ford.

Some of the testimony at the hearing pointed up a problem with which those people are confronted. They had sold their farms, retained the royalty, had a little social security, and now, the Windfall Profits Tax had literally taken the "wind" out of their sails and in some cases jerked the plug out of the boat. Their royalty checks were cut substantially, sometimes almost down to zero, by the Windfall Profits Tax and they were dependent, from prior planning, on those checks.

The writer also knows something of this. I am 62 years old, and in addition to farming I am an attorney who cannot continue in my profession for many more years. I have a modest royalty. It arose from mineral deeds which were acquired as a part of planning during the early part of my professional career, knowing that I could not sustain the career activity into old age. (In my observation of lawyers in my area during the 1950's and 1960's was that they in no instance produced enough savings, without outside interests, to retire. Pure practitioners practiced until they died, and died poor.)

Therefore, I have carried on "oil activity" ancillary to my law practice over a period of twenty-five years which, after thirteen dry holes, a lot of patience, a lot of expense and a lot of 80 hour workweeks, and incidentally a lot of fun, resulted in this modest royalty. I had planned to use it, along with some farm income, for retirement, or at least retirement from the constant pressure of law practice. However, the only thing that brought me through farming for the past four years was the royalty, and now it is possible that we may have to abandon farming with a large residual debt, and the government plans to take 70 percent of the "adjusted" royalty. We realize, nowadays, that long and hard labor coverted into property loses its popular appeal, but remember that the labor has already been taxed and that the property (oil) is already being taxed as ordinary income. Nevertheless, read on as to the possible use for the benefit of the country of that portion of my royalty being taken from me by this tax, and how the royalty bears on our energy crisis.

ROYALTY AND THE SEARCH FOR ENERGY

When landowners discover that they will lose control of their land resources (oil) by leasing to others for exploration and production, and that a substantial portion of their resources will be inequitably confiscated by the United States Government, exploration will become more difficult, because the landowners may prefer to retain the oil that they may have, and let their children or grandchildren enjoy it if and when this confiscatory taking can be stopped. I personally do not blame them, because, if I could shut off the valve on my oil today, I would do so, and I would do this, notwithstanding the fact that I use the money that I am getting to cover farm losses and pay debts. I would just have to work a little harder and longer. But, as I have observed above, I have lost control by virtue of my lease to Exxon, and Exxon will continue to produce my oil, and will continue to divert two-thirds of it (that is what it will be) to the United States Treasury.

As mentioned before, in addition to being a farmer and a potential retiree, and as both, needing the full market value of my oil, for many years I have been interested and intermittently active in the exploration for oil and gas, particularly in the State of Georgia. While many people seem to believe that God (coming east from Texas perhaps) stopped depositing oil and gas at the Chattahoochee River (between Georgia and Alabama), our efforts in Georgia for the past five years have now resulted in active interest by large independents and major oil companies who are beginning to participate with us in exploratory efforts, though yet doing little on their own initiative. I believe it can be shown that small "independents" drill most of the "wildcat" wells which discover new oil fields. Generally, only an idiot would go out where "everybody knows" there is no oil and drill a hole in the ground to try to find it, but as someone said: "The difference between a genius and an idiot is twenty feet of oil bearing sand." Therefore, comparatively "small idiots" start exploratory efforts. We are working in Georgia and have recently drilled the deepest oil test well in that State and we are now expanding into South Carolina. I would like to continue the effort if possible, whether or not I ever become a genius.

My royalty has enabled me to put some funds into these efforts, and to take the time from other work to structure and promote such projects. But farming and inflation have about put me under. Therefore, unless my royalties are permitted to inflate to market value, very likely my efforts will come to an end. I fully realize this has no national or international implications, but coupled with the overall picture of the taking of my previous labors now converted to "royalty", my efforts at farming, inflation, the national energy crisis, and the almost certain results that my exploratory efforts will be substantially curtailed, or totally stopped by the impact of the Windfall Profits Tax, it occurred to me that perhaps I should advise the Committee that at least one man's serious effort to find energy for this country will be substantially subdued or stopped by this tax. I understand many small developers are stopping because of this tax.

CONSTITUTIONALITY

Being an attorney, I have naturally thought about the constitutionality of the Windfall Profits Tax but have not researched it as yet. While I personally think that it is absolutely unconstitutional, and that a suit should be filed in order to sustain this position, nevertheless, if one will take time to understand that nature of a royalty, it becomes readily apparent that the tax is confiscatory, that it is not an excise tax as permitted by the Constitution of the United States, and that it is an inequitable taking of property without due process of law. This is why I went to the trouble to explain the nature of the royalty at the outset of this statement.

I hope that the Committee and the Congress will distinguish between the royalty owner who has lost control, and cannot pass on the tax, and the producers who are in control of the production, and can pass on the tax, and in fact who had better pass on the tax or they will go broke. (This distinction is not intended to impugn the argument that the entire Windfall Profits Tax is unconstitutional as a discriminatory direct tax on the property of the taxpayer.)

I must assume that the Congress thought that the law was constitutional when it was passed. I certainly do not fault people who disagree with me, because the experiences of an attorney are primarily in the area of disagreement, and I certainly respect the opinions of those who disagree. However, I do not believe the Congress understood the nature of a royalty, and it occurs to me that the taking of a portion of the landowner's real estate (as defined and conceived under the English common law and the civil law, which govern real estate laws and the concepts of a property in this country generally), must necessarily, under our original, and hopefully present, concepts of constitutionality, be unconstitutional. The taking of his oil is no different from the taking of his topsoil; from the taking of a hundred feet for a road; from the taking of his trees; from the taking of a part of his house; from the digging up of his lawn; from drilling a well on his property and taking his water; from siphoning water out of his pond; or from moving in and pitching a tent in his sideyard and living there.

Another analogy may be the taking of the crop (although under the common law it is designated as a "usufruct" or "fruit of the tree" so to speak). The taking, off the top (without reference to any expenses, effort or labor, or mortgages on the farm, or any other factors affecting the land, the operation and the landowner) of two-thirds of the farmer's crop of peanuts may be the appropriate example. (Even Leviticus does not require but 10 percent of gross production.) If it is to be argued that the taking of oil is not the actual taking of land itself, but merely the "income" or "usufruct" from the land, then there is absolutely no reason why anything produced from the land cannot be confiscated by the Federal Government in any percentage. What about those producing shrimp, lobster, lettuce, cotton, apples, oranges, grapes, timber, coal, collards, milk, beef, pork, automobiles, widgits? Any of these can be taken if the constitutionality of this law is upheld on the strength of the fact that oil is merely income from the property and this is a "profits" tax.

The mere need of revenue cannot justify this law. The law is manifestly inequitable, unfair and confiscatory. In short, it just ain't right.

CONCLUSION

It is respectfully submitted that S. 2521 should be referred to the full Senate with recommendation to pass, and that the Senate should pass it.

Respectfully submitted.

R. LAMAR MOORE.

BRADEN CORP.,
Caney, Kans., May 12, 1980.

MRS. NORMA STANGLE,
Russell, Kans.

Four good reasons why the so called "Windfall Profits Bill" should not have been enacted and should be rescinded.

1. Stymies production of domestic crude oil.
2. Delays and often prevents producers from exploring for and developing domestic production.
3. Causes great resistance on the part of land owners to lease additional land for prospecting and development.

4. We already have graduated income tax laws which collect any excess profits, should there be any. Therefore the "windfall" is not necessary and will cause the collapse of many small producers that are not making near as much as the new tax will take from them before any and all other obligations are met by the producers.

Sincerely,

George D. Brady,
President, Braden Corp.

Enclosure.

May 12, 1980.

Re Windfall Tax, May 23, 1980.

Senator Robert Dole.

We are unable to make it to your meeting, but wanted to get our two cents in on the Windfall Tax.

It's hurting us little folks, that's trying to make a few wells make a go of it, with electric so high, the upkeep and labor so high, it's not a paying job, after the government gets their share.

We would like to see the independent owners exempted. Sure hope you can help us out.

Yours,

A. R. Palmer,
Palmer Drilling Co.

May 12, 1980.

Mr. Robert Dole,
U.S. Senator, Kansas,
Washington, D.C.

Dear Sir: This small note is in regard to the "Windfall Profit Tax" that we are having rammed down our throats. I am just new in the oil business but it does not take long to see through this mess.

I have worked with what I consider "old land owners" that would not let anyone on their land to drill oil. But with my reputation in this area, I have been very successful with working with these farmers. Now, with this tax, nobody wants to drill (land owners) and pay this "un-real" tax. It is about time that the small man is heard in America.

Please do your best to help us out.

Sincerely,

George E. Jackson,
Caney, Kans.

Newton, Kans., *May 21, 1980.*

To: Robert Dole.
From: D. Joan Stangle.

For many years I have been a small business owner in Kansas; as you well know small business is already carrying an inequitable share of the tax load. In order to have some retirement income, I invested in oil. Now, I am being taxed on the monies that I hoped to have for retirement years on the same tax base of huge profit taking oil companies. It is a totally unfair tax. Again, it looks as if the government is trying to rid our country of the small independent business who provides jobs, pay taxes and educate their children with their income. Many small investors are looking ahead to retirement years not the huge profits of big oil. It would be poor business to think that government supporting us in retirement years is more economical but it seems to be the current philosophy of the United States government. I appreciate your concern for the small independent and royalty owners.

D. Joan Stangle.

Senator Dole: We're very small oil investors and producers. This windfall profit tax could really finish us. Please don't let the government do this to us.

Sincerely,

Harley Bowers.

Osro Cobb,
Attorney at Law,
Little Rock, Ark.

Re Senate bill No. 2521.

Memorandum for Committee on Finance

THE DILEMMA OF THE LAND AND MINERAL OWNERS UNDER THE WINDFALL PROFITS TAX

For the sake of emphasis, this presentation is divided into five topics as follows:

I. *The composite impact of the windfall profits tax on the industry as a whole.* This discussion is divided into three subsections: (a) the Major Companies, (b) the Independents, and (c) the Land and Mineral Owners.

(a) *The Major Companies.*—So far as the general public ever knew or had any reason to know, the major oil companies with their alleged "obscene" profits were the primary if not the sole target of the whole campaign for a windfall profits tax on crude oil. At no time in the discussions in the Press or on Television was there the slightest indication that the land and mineral owners, who simply cannot be classified as "obscene profiteers," would be the ones to be hit much harder under the law than the major companies. The facts are:

(1) In the first place the major companies purchase all of the oil imported into the United States, representing approximately one-half of our total consumption, and all of this oil handled by the major companies is currently free of any windfall profits tax whatever.

(2) The major companies are reputed to buy much more domestic crude oil than they produce, and here again on all of that portion of domestic oil purchased by the major companies they pay no windfall tax whatever.

(3) This leaves the major companies with a mere one-fourth of their total crude oil volume processed for sale in the United States subject to any windfall profits tax. No other segment of the industry is so favored.

(4) Furthermore, on 20-gravity crude oil, which represents a high percentage of the production from the prolific oil field in Smackover, Arkansas, the major companies, Gulf, Phillips, Monsanto, and Kerr-McGee, pay their windfall profits tax at a preferred rate of 50 percent whereas the land and mineral owners have imposed upon them a windfall tax of 70 percent (40 percent more than the major companies).

(5) The major companies have no difficulty in recouping their windfall profits tax or any other taxes by increasing the cost of petroleum products, such as gasoline, etc., to cover same. The independent producers and land and mineral owners have no such means of recouping the windfall profits tax levied against them.

(6) The Administration appears to have been sanctioning immediate raises in domestic prices for gasoline and petroleum production by the major companies as of the date of announced increases in the cost of foreign oil. This gives the major companies a windfall on all of their inventories and oil stocks in transit, which runs into enormous sums of benefits for them. No such benefit can possibly accrue to the independent producers and the mineral owners.

(7) The burden upon the independent producers and mineral owners of the United States in comparison to that of the major companies is inordinate and shocking, and will seriously curtail domestic production unless promptly and equitably modified in the public interest.

(b) *The Independents.*—There are many thousands of small (2½ to 5 bbls.) wells in the United States that were being operated by independents when the windfall profits tax was enacted. It appears that the Congress was not aware that the costs of production of these small wells have risen in the last three years by as much as 500 percent on such indispensable items as contract well service, chemicals to treat oil, etc. These are the wells that provide the backbone of supply for many of our domestic refineries. These wells are now in great danger of economic strangulation because of the heavy tax, and may become a thing of the past—a real energy tragedy for our nation. Once these small wells are abandoned and cemented off, and tank batteries, etc., removed, there is little likelihood that the production could ever be restored. Such a loss will be irreparable.

The independent operators have a great history of devoting their full energy to production and exploration for domestic oil. It has been the independent operators who have been credited with finding at least 80 percent of all the domestic oil in this country.

A possible net profit in crude oil operations must be maintained in the United States as an incentive to preserve the present marginal production and expand crude oil production at low recovery levels so as not to waste this resource.

(c) *The Land and Mineral Owners.*—These unfortunate victims of the excesses of the windfall profits tax servitude imposed upon them are shocked and outraged, and they should be. Their interests were never considered in the discussions about the windfall profits tax, and the harsh treatment they have received under the tax reflects their lack of any representation or hearing as to their vital interests throughout the many months leading up to the passage of the law.

In all the history of the oil industry in the United States the mineral owners have received the same treatment in pricing, in taxes, etc., as that of their producers. This is the tenor of all oil and gas lease provisions and the expressed intent of statutory laws enacted for the protection of mineral owners in many of the oil-producing States, notably Arkansas. Under no circumstance did the land and mineral owners expect to find themselves subjected to a tax 40 percent higher than that imposed upon the major companies and 133 percent more than the major companies as to heavy oil (16 gravity and under).

The oil moving to market is completely comingled and undivided in any manner. It is like a landlord and a tenant sharing in a bale of cotton and the proceeds therefrom. It is unprecedented and possibly offensive to the provisions of the Constitution of the United States to impose a higher tax on one ownership of an undivided property than that imposed against the other owner or owners of undivided interests in the same item. See Exhibit 1, attached (Letter dated May 10, 1980, to President Carter). It is my understanding that the whole windfall profits tax may be invalidated should the Courts sustain this view.

II. *The false idea that the mineral owners have a free ride in oil production without any risk.*

The mineral owners own all of the oil in the ground and until it is brought to the surface by the producer. In many cases their risk from a financial standpoint may exceed that of the operators due to the hazards incurred in production. We quote from a brief filed with the Department of Energy on January 19, 1978, on behalf of Gulf Oil Co., Phillips Petroleum Co., Monsanto Co., and Kerr-McGee, all major companies, as follows (page 8):

". . . no one really knows in advance just how successful any secondary recovery program may turn out in actual operations. In some cases in Arkansas most, if not all, of the commercial production has been lost in such efforts to the great damage of the owners of the oil in place, i.e., the royalty owners. The royalty owners here took substantial risks when they combined their lands into this unit to attempt the experimental and uncertain secondary recovery. It is by no means certain if the project is abandoned that the underground pay zone may be left in condition whereby production could be resumed by conventional means. Certainly the working interest owners here took great risk in investing millions of dollars in the unit in the hope that they could come up with the engineering and technology to cope with the problems in production as they arose and in the hope that the project would ultimately be made a successful one for all parties concerned, including the national interest. This is a case where the working interest owners and the royalty owners both took risks and stood to make gains in proportion, of course to their percentage of ownership of unit production moving to refineries."

I am a mineral owner in a secondary recovery unit in south Arkansas which was faced with abandonment as uneconomic in 1977. This unit area had been subjected to injection of steam under high pressures. The lands had provided excellent stripper production before they were consolidated into the unit. Had the unit been abandoned, it is quite possible that the great pressures on the pay zones could have so compressed the soft oil sand and so bridged same that normal stripper production could never have been restored. In short, the operators could have abandoned the property and stopped their losses, but the land and mineral owner would be irreparably damaged as to future production. There are many other great risks that the land and mineral owners are subjected to when they lease property for all exploration. They give the operator the sole right to proceed as he may see fit, to drill and complete wells in the pay zones of his choice, or to abandon any well which the operator believes to be uneconomic. Some operators do not possess the ability and expertise to thoroughly explore the potential of an oil well, and abandonment virtually condemns the property as to further exploration where good oil production could be held. The real casualty is the land and mineral owner.

Some operators refuse to complete a well which does not promise to produce more than a certain minimum amount of oil, and here again the land and mineral owner is the loser. In short, the land and mineral owner, putting up 8/8ths of the oil for a small ⅛th payment from the proceeds, is in reality a partner in the production, taking the risks that are certainly commensurate with his expected revenues. See Exhibit No. 2 to this Memorandum, attached (copy of my Mail-O-Gram of November 28, 1979, to all Members of the United States Senate).

Finally, no fair or reasonable basis exists for imposing a windfall profits tax upon the land and mineral owner at a greater percentage than that imposed upon his produced or operator.

III. *The imposition of the huge windfall profits tax upon the mineral owners of small stripper wells is counter-productive and demonstrably against the national interest.*

The land and mineral owners will not be able to change existing lease agreements, but their attitude in leasing for expanded domestic production in the future is quite another thing. I am personally interested in a few tracts in Arkansas which are thought to have production potential. I will enter into no more leases on these unexplored lands without a full ¼th royalty reservation in the total production. Other mineral owners are taking the same position. In fact the major companies who own minerals for farmouts have been insisting upon a full ¼th o.r.i. in Arkansas for the past several years.

This additional royalty reservation may substantially curtail domestic drilling programs as many operators may not find it profitable to attempt operations with such a royalty load and the windfall profits tax. Since there can be no production except under conditions acceptable to the land and mineral owner, this limitation could unwittingly impose a substantial curtailment in expanding production of domestic crude oil.

IV. *The amazing indifference of the Congress to any facts relating to the cooperative relationship between the mineral owners and the producers and the valid rights and positions of the mineral owners.*

When it was revealed to the Senate by the Conference Report that the land and mineral owners were being virtually "shot down" by the provisions of the Windfall Profits Tax Act, many Members of the Senate grasped the situation and sought to refer the bill to the Finance Committee to provide an opportunity to go into the true facts so that the Congress could act more intelligently thereon. Unfortunately, the Administration forces were able to defeat a formal motion for this purpose by a vote of 61–35 on the day of the passage of the bill. The land and mineral owners were lulled into a feeling of complete security during the months of public discussion of the measure under the belief that they were not the target for such treatment, and they had no one to appear to represent them as they anticipated no such action.

It appears to the land and mineral owners that they have been the victims of a real subterfuge to tax them without even permitting them an opportunity to be heard. This is unprecedented as policy in the United States, and the quicker the Congress recognizes this oversight and corrects the mistake the better for all concerned.

V. *The Political Impact.*

The land and mineral owners of the United States are the type of citizens who take the trouble to vote. It is estmiated that there are now in excess of four million mineral owners receiving royalty from domestic oil production. These royalty owners have an average of four or five adult family members or relatives who also share in these benefits. The average royalty owner is 60 years of age or older, and his total royalties have not amounted to as much as $100 a month. Cutting same virtually in half is a cruel economic blow to him even if otherwise justified. To put these people in the class of alleged "obscene" major company profiteers and worse, tax-wise, is revolting to all sense of fairness and reason. Unless the Congress promptly takes steps to remedy the situation, there will be at least 20 million of the angriest voters in the United States who will definitely participate in the fall elections. They have been mistreated. They deserve relief. I attach as Exhibit 3 a copy of my letter of April 25 to Governor Reagan who will be the Republican Nominee for President.

RECOMMENDATIONS

1. Senate Bill No. 2521 is a necessary and constructive measure, but in my judgment it should be supported by an additional provision to make certain that no land and mineral owner is charged any higher windfall profits tax against his portion of the undivided oil than is charged against his producer.

2. Wells that produce five or less barrels a day should be totally exempted from the windfall profits tax as to working interest and royalty in the interest of survival and in the interest of conserving our domestic supply.

3. Wells that produce from five to ten barrels a day merit a lower rate of tax than that presently imposed.

4. A duty or import fee could and should be levied against imported oil to make up the difference. A fee of about $10.50 a barrel appears reasonable in relation to domestic levies under the Act.

5. What we are trying to do is attain some self sufficiency. So long as we are so short of oil, domestic production must be given every reasonable incentive and foreign oil should be carefully monitored and limited to taking up the difference in our national requirements.

6. Authority should be reposed in the Secretary of Treasury to make adjustments in the tax because of rather extreme economic instability in this area.

Respectfully submitted,

OSRO COBB,
Chairman, Arkansas Stripper Oil
Well Producers Committee.

EXHIBIT 1

OSRO COBB,
ATTORNEY AT LAW,
Little Rock, Ark., May 10, 1980.

Re Windfall profits tax.

The PRESIDENT OF THE UNITED STATES,
White House Executive Offices,
Washington, D.C.

MY DEAR MR. PRESIDENT: During your long battle with the Congress to obtain the windfall profits tax you and your Administration leaders predicated the need for the tax upon the enormous profits of the major oil companies. At no time was there any mention or indication that the landowners who own the minerals and royalties were to be hit with a higher percentage tax than the major oil companies producing their oil.

It is estimated there are some 20 million people in the United States who substantially depend upon royalty income for their livelihood. They have to pay the same inflated price for their gasoline that everyone else pays, and they certainly can not be classified as "obscene" profiteers. We estimate that at least 60 percent of the royalty owners are of advanced age and receive less than $100 per month from this type of income.

The new Act has been interpreted by the refineries in Arkansas to require a deduction of 70 percent against the royalty owners and 50 percent against the major companies who are producing the 20-gravity Smackover crude oil. This is a charge to the royalty of 40 percent more than the tax imposed upon the major companies.

In all of our history, both local and national, severances taxes, production taxes, and other taxes relating to oil production have been applied equally to the producer and the royalty owner. Oil moves to the market as a comingled and undivided commodity, like a bale of cotton produced by a tenant for a landlord. It seems to me that imposing different tax rates against separate ownerships of the same undivided item offends the provisions of the Constitution of the United States, and unless some relief is provided by the Congress the fate of the entire Act could be in jeopardy if challenged in the Courts.

The Conference Report included for the first time tax percentages against the royalty owners in excess of the producers. Several members of the Senate sought by formal motion to refer the bill to the Senate Finance Committee to hold hearings on the radical changes made by the Conference Report. The Administration forces were able to defeat the measure to permit the royalty owners to be heard by a vote of 61 to 35.

In any event the landowners are indignant and outraged, and I anticipate, absent some action by the Congress to relieve the situation, this discontent will be mobilized throughout the country in the next several months, and could play an important part in the results of the November elections.

I hope this letter will receive your personal attention. I feel sure if it does reach you and you have the facts probed in depth that you will sponsor some remedial action to alleviate the discriminatory servitude currently imposed upon the mineral ownership.

Sincerely yours,

Osro Cobb.

P.S. I am sending copy of this letter to the Secretary of the Treasury who conceivably may be able to deal with the problem by regulatory process.

EXHIBIT 2

Arkansas Stripper Oil Well,
Producers Committee,
Little Rock, Ark.

Western Union Mailgram

Senator Lloyd Bentsen,
Senate Office Building,
Washington, D.C.

This mailgram is a confirmation copy of the following message:

The acceptance by the Senate of your amendment of the energy bill as to independent and small operators is a sound and necessary step toward our energy goals.

Unfortunately some of the comments on the floor of the Senate while considering your amendment indicate that several Senators may not as yet have an indepth factual understanding of the true working relationship between owners of the oil in place (royalty) and the parties who obtain lease contracts permitting them to explore for and recover the oil.

As you know all of the oil in the ground belongs to the mineral ownership even after a lease on same has been executed. It is not until the operator brings the oil to the surface that his customary ⅞ ownership of the undivided oil is established. The lease royalty reservation is the percentage recited in the lease and this percentage is fully shared in all proceeds benefits exemptions et cetera in the sale of the oil. The lease provisions mandate such equal treatment in all respects for the royalty owners and many States, notably Arkansas, have enacted laws to prevent any discrimination in price or benefits of any nature between the operators and the royalty ownership. Indeed in Arkansas such discrimination constitutes a criminal offense as well as grounds for forfeiture of the lease. The ill advised idea of giving some windfall tax relief or benefit to the independent operators within certain production classifications and not their royalty ownership offends all of the traditions of the industry as well as the established law in oil producing States. There are many compelling reasons in the national interest why this long good working relationship must not be aborted.

Once the mineral owners discover or even suspect that they can no longer fully rely upon absolute parity in treatment in price taxes and any other benefits with their operators they will adamantly refuse to enter into new leasing agreements for millions of acres of our potentially productive lands. There is no tenable basis upon which we can fault the mineral ownership for such reluctance under such circumstances.

Any windfall tax exemption for independent operators and not for their royalty ownership will make it impossible, absent some extraordinary power of condemnation or seizure, to continue normal leasing from such mineral ownerships to expand domestic production. In any event the mineral owner of all the oil under a tract of land gives up a whopping ⅞ of all of his oil to be recovered in exchange for his ⅛ thereof it simply does not make sense not to treat him exactly the same as the operator pricewise and otherwise.

There are more than 4,000,000 mineral owners in the United States representing, with their families, about 20,000,000 adult citizens. They pay the same high prices for gasoline and oil and other petroleum products as all other Americans. Their income is spent here at home. Any obvious discrimination against them by act of the Congress is unthinkable. We certainly do not think that any such action is imminent by the Congress. The whole purpose of this message is to make certain that this pitfall will be avoided.

We are most grateful to you for your able leadership in this trying time.

Copies of this mailgram will be forwarded by regular mail to all other Members of the United States Senate.

OSRO COBB, *Chairman.*

EXHIBIT 3

OSRO COBB,
ATTORNEY AT LAW,
Little Rock, Ark., April 25, 1980.

Re Windfall profits tax on crude oil.

Attention: Mr. MAX HUGEL,
REAGAN FOR PRESIDENT HEADQUARTERS,
Los Angeles, Calif.

DEAR MR. HUGEL: As promised to you yesterday in our telephone conversation, I am enclosing three copies of my report of April 26 to some 200 royalty owners in a secondary recovery unit located near Smackover, Arkansas. More than 50% of the royalty owners in this huge project receive less than $100 per month. Since this field has been producing since the mid-1920s the surviving mineral owners are quite old, and this income is critical to their livelihood. They pay the same high price for gasoline as everyone else pays, and no valid reason exists whatever to discriminate against them in tax treatment.

The mineral owners are the home folks who own the property and all of the oil under the land until it is brought to the surface. The operator of the lease markets all of the undivided oil without any consultation with the royalty interest. Taxing two owners of the same undivided oil at different rates certainly offends all sense of fairness, and it may constitute a fatal defect in the law itself unless the Congress promptly removes this discrimination.

There is a false notion abroad that the royalty owner doesn't really contribute to the production of oil. This is an absolute fallacy. The royalty owner owns all of the oil and risks all of the oil under his lands when he leases it to an operator. He not only contributes the oil but he runs the very real risk of loss of all of his oil in place, particularly in secondary recovery units involving injection of steam at high pressure, etc. In south Arkansas an entire field was lost beyond any further commercial operations due to the misadventure of water flooding to increase production. The operator can always shut down and move off without further losses, whereas the mineral owner must stand the loss of his oil in place, in whole or in part, under such circumstances.

I feel certain that Governor Reagan will want to probe this question in depth and take a public stand on it because by no stretch of the imagination can small royalty owners scattered over the United States be put in the category of the large oil companies and their alleged "obscene" profits. The 20,000,000 potential voters involved in this unwarranted servitude upon them will no doubt be happy to have a champion and to cast their votes accordingly in the November election.

It is of extreme importance that Governor Reagan be fully and factually orientated so that he will be prepared to succinctly and effectively respond to even the most hostile questions of a biased media. I am perfectly willing to fly anywhere in the United States to sit down and provide him and other members of his staff with the benefit of some 40 years experience in the oil business in Arkansas, east Texas, and northern Louisiana.

It should also be remembered that this travesty upon the mineral ownership is certain to embarrass expanded domestic production until it is corrected. The mineral owners in the United States know that we have an election in November, and I believe they think as I do that we should lease no further lands for the present year at least, assuming that the inequity is not corrected by the Congress in the meantime, in the hope that the new President and the new Congress will create a fair climate in which to move forward with domestic production. It does not make sense to ask a mineral owner to contribute a higher windfall tax than does the operator of his lease. The custom and practice in the oil business, as well as statutory law in many oil-producing States, require absolute equity in the division of proceeds of undivided oil.

On February 5, 1980, the Department of Energy amended 10 CFR, section 212.74 to add a new paragraph (e), effective March 13, 1980, which mandated the sale of all comingled crude oil at the same price for each ownership, whether alty or operating interest. We quote from the discussion of the Department of ergy on the new regulation as follows:

Royalty agreements themselves are contracts. Many such agreements resem- more closely a rent charged the producer, calculated on the basis of the pro- er's actual receipts for volumes of crude oil produced from a property, than a crete first sale of crude oil by the owner of the royalty interest. Permitting ilar treatment under the price regulations of volumes of crude oil associated h the royalty interest and of those volumes owned by the holder of the pro- ing interest would simplify administration of this aspect of the Department's ulatory programs. It would avoid the possibility that the effects of the price es on individual royalty owners would turn upon the details of individual roy- y agreements. (45 F.R. at 9528.)"

'urthermore, no mineral owner in his right mind would execute a lease agree- to receive less than his agreed share of the total proceeds from the sale of his

t seems that this principle of requiring that the royalty owner receive absolute ity in price should be applicable to any tax levied against oil production as a dfall or otherwise. All taxes, such as severance tax, production tax, and other idental taxes to the oil business, have always been levied in this equitable nner.

have extended my comments because of the urgency in point of time for an gressive position on the situation by Governor Reagan. This may preclude the essity of the personal conference offered above. Governor Reagan may already fully knowledgeable as to the pertinent facts.

doubt that Governor Reagan will have any ammunition in the next several nths that will compare with this in potential value to his cause.

was chairman of the Republican Party in Arkansas for 20 years, served two ms in the Arkansas House of Representatives, and have been a contributor to vernor Reagan's Presidential aspirations and have met with him on his visits Arkansas. I really believe this is the type of timely issue that would be of ormous benefit to his campaign.

Should you need to reach me on the telephone and not reach me at my office, can reach me at my residence. My telephone number there is Area Code 501, -1591.

Sincerely yours,

OSRO COBB.

Enclosure: Report of April 26, 1980 (3).

TESTIMONY

Honorable Senator Dole, Honorable Senator Boren, and members of the panel. y name is Dwight Kershner from McCracken, Kansas. I am testifying to you behalf of the Kansas American Agricultural Movement of which I am state okesman. The windfall profits tax will discourage domestic oil production and use us to be more dependent on foreign oil. This will not only cause a hardship small independent producers and owners of oil producing land, but will add to e trade deficit of this country. We are continually exporting our farm products less than the cost of production, while administration expects us to produce od with imported fuel, at inflated prices. Quite frankly gentlemen, this cannot ntinue without the collapse of the total economic system. Unless immediate tion is taken on this and other related matters unemployment and a severe epression will descend upon this nation.

DWIGHT KERSHNER.

STATEMENT OF LARRY E. KEENAN, ATTORNEY, GREAT BEND, KANS.

on. ROBERT DOLE,
on. DAVID L. BOREN,
lembers of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance, U.S. Senate.

GENTLEMEN: My name is Larry E. Keenan and I am an attorney practicing w with the firm of Keenan, Mauch & Keenan, P.A., in Great Bend, Kansas. pproximately 40% of our practice involves representing landowners who have mall royalty interests, independent oil operators and business persons who make elatively small investments in oil and gas working interests.

The impact of the Windfall Profits Tax upon our clients all of whom reside in the Central Kansas area, has been substantial. Most of the small royalty owners own interests in "stripper" production which had its inception prior to January 1, 1979. They are taxed at the 60% rate which is a heavy burden on them. This is particularly true inasmuch as they have been receiving the higher price for oil and suddenly had a large portion of this taken away. The problem is compounded because the oil purchasing companies have made many mistakes in assessing the wrong rate, deducting the wrong amount, etc. This has all been very distressing to many elderly people who do not need the distress.

A typical example is a client who is a widow, and has royalty income which had been acquired by her husband as an oilfield worker over the years. He died in early 1979 and his widow, who is not quite old enough to receive Social Security benefits, and who was a homemaker during their marriage, has had to rely to a great extent upon the royalty income which she receives. In 1979 this was approximately $2,100.00, all at stripper prices. Since the inception of the Windfall Profits Tax, her royalty income has been reduced by approximately 35 percent.

In our office we have noted that some landowners are now refusing to lease their land for oil and gas for the reason that the Windfall Profit Tax will take a substantial portion of any oil income, and they feel that if the oil is present, they will simply leave it for their heirs to produce at a future time when there is no Windfall Profits Tax.

The problem is compounded because owners of royalty interests in gas wells are not subject to the tax. Persons receiving royalty income from new, price controlled gas are free of the tax while other royalty owners in the same area with small oil wells are subject to the tax. This adds to the confusion and to the inequities in the law.

Most of the royalty owners in the Central Kansas area probably have less than one barrel of production per day. This is for the reason that traditionally, producing oil rights have been reserved and shared equally among family members for at least the last two and sometimes three generations, resulting in the royalty being divided into often minute interests.

It is my position that the Windfall Profits Tax as the same applies to the small royalty owner is grossly unfair and inequitable. Your efforts in correcting this problem are indeed appreciated.

Respectfully submitted,

LARRY E. KEENAN.

MEADE TV & 2-WAY,
Meade, Kans., May 19, 1980.

Senator ROBERT DOLE,
U.S. Senate, Russell Senate Office Building,
Washington, D.C.

SENATOR DOLE: See my enclosed copy of letter to Michael Stern. I am also opposed to President Carters 10¢ a gallon tax. Where is it going to end? It is time for the House and Senate to accept responsibility and turn Government around.

My business used to consist of myself and three other employees. But in the past three years, with Governments increase in minimum wages, social security, and workman comp.; I let all my employees go. It is now, just myself and my wife.

With our business being a service business, we travel many miles in Southwest Kansas. With each tax in fuel our service rates keep going up. Taxes cause unemployment and inflation.

Also would like your comments on enclosed reprint from the Spotlight.

Sincerely,

JOHN A. KROPF.

FAMILY NURSING SERVICE,
Russell, Kans., May 24, 1980.

Senator ROBERT DOLE,
Washington, D.C.

DEAR BOB: I am very glad to be in attendance at the hearing at Great Bend. I have a number of letters from working interest owners which I will hand to you as they could not attend.

am very glad to know that you plan to fight for an exemption for small independent interest owners on the so called "windfall profits" tax which is actually excise tax at the well head.

We bought a 1/16 working interest in a lease in Chautauqua County in March, ing that it would be a source that would keep up with inflation for our retirent in 8 years. Fixed pensions and government bonds won't do it.

These are shallow wells (1000 feet) in the stripper range, but at $40 a barrel we thought we'd have a chance to get our investment (about $8,000 so far) future drilling and operating costs back, and hopefully a small income. We e two wells now, producing 6–8 barrels a day. We had hoped that by the time drilled the third well, the income would be enough to keep up with the next ling and operating expense.

With the 30 percent tax on crude price in excess of $16, the tax for us is $7 per rel. We received our first check this week $260 and $50 tax for a 2 month run. Being very optimist, this lease will not pay back our investment for 2 years. Without the tax, we may be able to keep up with the costs until we can begin king a profit, to provide us with a little income for retirement.

Bob, I was in a car wreck 1½ years ago and had to give up all my nursing that uires lifting (which is nearly all of nursing) so you can see how important s is to us.

Working interest owners are in an even bigger need for relief from this tax n the royalty owners, because we are risking our capital, which comes very r.

I have spent much of my time in Russell, since 1957, doing a lot of community vices which kept me from making the income I could have otherwise. Now I've ne to a point in my life where I think about how I will be able to stay independent when I am older.

Now that I have advocated for myself, I want to advocate for some of my ients.

Bob, I have provided nursing care with my practice for many of the elderly Russell County (your own mother is one). I know that a number of my patients pend on their small oil checks to supplement their social security in order to y independent and are just barely making it.

One of my patients is in the Russell Kare Center, and so far can pay her nthly care. A ⅓ cut is going to change that.

I was talking to Dr. Starkey yesterday. He has no oil interest but he is very cerned about what this tax is going to do for his elderly patients. An example a couple—the husband is in the Kare Center and she is trying to keep the me. He says a cut will cause them to be unable to pay the nursing home bills d keep her home. When they can't pay the bills, they will lose the home and on welfare.

My sister-in-law Joan Stangle in Newton has a friend who is a social worker. e friend was very upset and sad because of one of her cases that day. An 85 ar old woman in a nursing home who had been able to pay her $800 monthly arge for her care up to now, with her royalty. With the cut in oil check, she s forced to go on public assistance. At 85 years of age, the woman's independce and dignity were taken from her.

And you know what an anathema charity is to our pioneer elders. It's vastating and cruel.

Many thanks to you and Senator Boren for this hearing.

Sincerely,

Norma Stangle, R.N.

May 23, 1980.

nator Bob Dole,
shington, D.C.

Dear Senator Dole: My name is Bill Brown. I own a producing oil well, rown No. 1, in Kingman County, Kansas, which was drilled in 1950. This well certified as a stripper well and produces 2.25 barrels of oil per day. In addition owning this well, I own the land on which the well is situated and, thus, own e royalty.

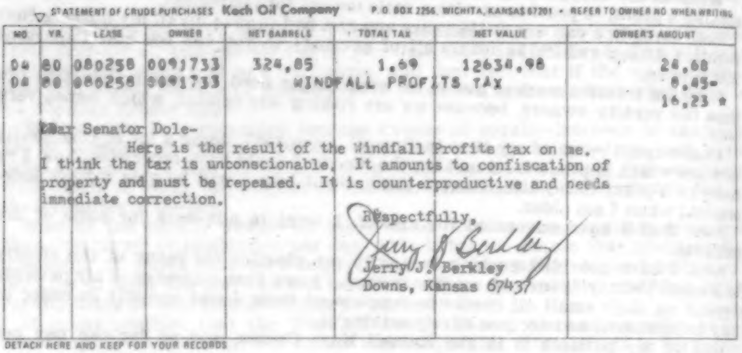
The purchaser of this well has withheld Windfall Profits Tax in the amount of percent of the production over and above the base price. Apparently the indfall Profits Tax law is so confusing that the purchasers are withholding the maximum amount of tax, hoping at some future time to make an adjustment. As I understand the law, I should be taxed at 30 percent on the working interest and 60 percent on the royalty interest. Currently I have been underpaid approximately $1,000.00 which is a considerable amount of money to me.

The most unfair aspect of this tax is not the confusion of administering it, but the fact that I will ultimately lose 30 percent of ⅞ths and 60 percent of ⅛th of the production without any way of recovering this loss. I think it is totally unfair for me to be placed next to the major oil companies who will ultimately recover, at least in part, their tax loss.

This law, as now written, is another perfect example of how the little guy bears the biggest burden and the big guys bear the littlest burden. Some day, some how, Congress should open its eyes and do more than pay verbal homage to the little guy.

Very truly yours,

William F. Brown.



STATEMENT OF CRUDE PURCHASES **Koch Oil Company** · P.O. BOX 2256, WICHITA, KANSAS 67201 · REFER TO OWNER NO WHEN WRITING

NO	YR.	LEASE	OWNER	NET BARRELS	TOTAL TAX	NET VALUE	OWNER'S AMOUNT
04	80	080258	0091733	324,85	1,69	12634,98	24,68
04	80	080258	0091733	WINDFALL PROFITS TAX			8,45-
							16,23 *

Dear Senator Dole-

Here is the result of the Windfall Profits tax on me. I think the tax is unconscionable. It amounts to confiscation of property and must be repealed. It is counterproductive and needs immediate correction.

Respectfully,

Jerry J. Berkley

Jerry J. Berkley
Downs, Kansas 67437

DETACH HERE AND KEEP FOR YOUR RECORDS

Rural Route 1,
Rago, Kans., May 23, 1980.

Re Windfall Profit Tax Act of 1980.

Hon. Bob Dole,
U.S. Senator, Senate Office Building,
Washington, D.C.

Dear Senator Dole: My wife and I are the owners of a small tract of land in Kingman County, Kansas. Both of us are in poor health and have been for several years.

The only source of income which we have is now and has been for the past 14 years the production that has been obtained on our land from several producing oil wells.

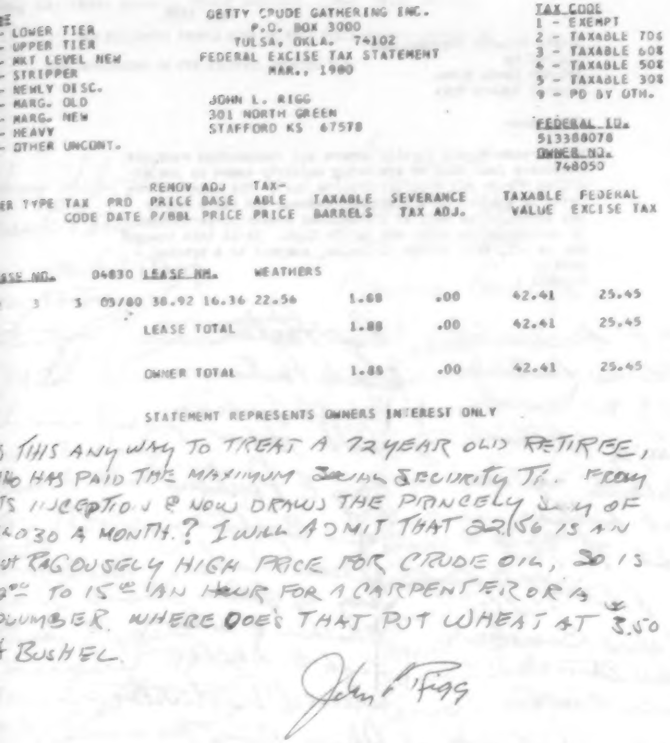
I have always been a supporter of the United States Government, but when they passed the Windfall Profit Tax Act, I would like to simply ask, "Where was my windfall profit?"

My wife and I have seen our check, on which we depend for our livelihood, drop by over 36 percent. We have no one to make up the difference in our loss of income, and when combined with the steady decline in production of our wells, it certainly appears that we can look forward only to a reduced check month after month after month.

The newspapers may call it a windfall profit tax, but as a royalty owner receiving income from several small wells producing oil only, I call it taking away my livelihood.

Very truly yours,

Paul G. and Valentine B. Robertson.



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E                              GETTY CRUDE GATHERING INC.              TAX CODE
- LOWER TIER                         P.O. BOX 3000                     1 - EXEMPT
- UPPER TIER                     TULSA, OKLA.  74102                   2 - TAXABLE 70%
- MKT LEVEL NEW             FEDERAL EXCISE TAX STATEMENT               3 - TAXABLE 60%
- STRIPPER                             MAR., 1980                      4 - TAXABLE 50%
- NEWLY DISC.                                                          5 - TAXABLE 30%
- MARG. OLD                   JOHN L. RIGG                             9 - PD BY OTH.
- MARG. NEW                   301 NORTH GREEN
- HEAVY                       STAFFORD KS  67578                       FEDERAL ID.
- OTHER UNCONT.                                                        513388078
                                                                       OWNER NO.
                                                                        748050
                   REMOV ADJ    TAX-
ER TYPE TAX  PRD  PRICE BASE   ABLE    TAXABLE  SEVERANCE     TAXABLE  FEDERAL
        CODE DATE P/BBL PRICE  PRICE   BARRELS   TAX ADJ.      VALUE   EXCISE TAX


ASE NO.     04830 LEASE NM.    WEATHERS

   3     3  03/80 38.92 16.36 22.56       1.88        .00        42.41      25.45

                  LEASE TOTAL             1.88        .00        42.41      25.45


                  OWNER TOTAL             1.88        .00        42.41      25.45


                  STATEMENT REPRESENTS OWNERS INTEREST ONLY
```

S THIS ANYWAY TO TREAT A 72 YEAR OLD RETIREE,
HO HAS PAID THE MAXIMUM SOCIAL SECURITY TX. FROM
TS INCEPTION & NOW DRAWS THE PRINCELY SUM OF
4030 A MONTH.? I WILL ADMIT THAT 22.56 IS AN
UTRAGOUSELY HIGH PRICE FOR CRUDE OIL, SO IS
9^{00} TO 15^{00} AN HOUR FOR A CARPENTER OR A
LUMBER. WHERE DOES THAT PUT WHEAT AT $3.50
BUSHEL.

John L Rigg

May, 1980

Senate Finance Subcommittee
Chaired by
Senator David Boren
Senator Robert Dole

Gentlemen:

We the undersigned royalty owners and independent stripper producers feel that we are being unfairly taxed by the so-called "Crude Oil Windfall Profits Tax". The money we receive is subject to a graduated federal and state income tax schedule, as well as a graduated county property tax. If our income is high, our tax 'is high. Is'nt this enough? Why is oil, as a source of income, subject to a special tax?

Signed:

D P Dactwiler
Florine Dactwiler
W J McNicol
Harry Williams
Delores Carlson
Art Hefner
Robert H Mart
Mrs. Robert H Mart
Alfred Beneke
John H. Storme
Victor Hartke
Josephine Neuwirth
Maurice G Pritz
Dale Carlson
John W Gehrke Sr
William C. Gehrke
Geo. C. Gehrke
Cecil E. Smith
Ben J. Srojer
Danny J Bruce
Cleo Herman
Billy H Slusser
Alden L. Slusser
Tim Herman

Bill Pontious
Linda Pontious
Robert A. Anderson
Harold Hefner
Jay E. Pontious
John Baehler
Diana Dierks
Terry M Holton
Geraldine S. Hodson
Leah G. Dactwiler
Alvin A. Dactwiler
Alice Rempel
Reuben Rempel
Beatrice Nicholson
W. G. Nicholson

best copy available

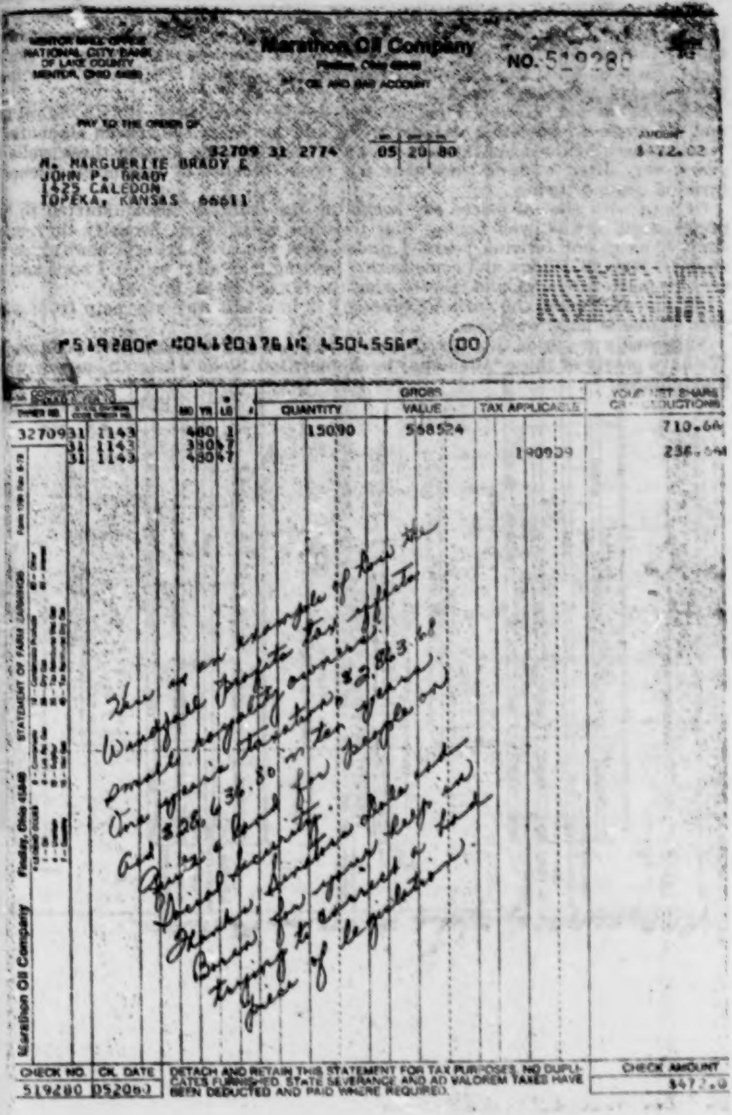
May 23, 1980, Royalty Owner Hearing, Great Bend, Kansas.

THE FOLLOWING PEOPLE WISH TO FILE THEIR PROTEST CONCERNING THE UNFAIRNESS OF THE WINDFALL PROFITS TAX.

Henry Schaeffer
Frank Parsons
Lawrence E. Berg
Alan Kuntzsch
Mitch Munday
Lillian Redding
Orval E. Weeks
Gene F. Beck
Roger N. Berry
Harry Betts
Earl Booth
Rufus Michaelis
Margaret Hall
Fern Graff
A. G. Chenoweth
Martin Morgenstern
Alvin C. Webster
Patsy Demel

Gwendolyn Bruce
Vickie Hayes
Maurice Redcliffe
A. Francis
Lawrence E. Meek
Homer D. Taggart
Robert Harrison
Elmer H. Graff
Wilbert Boese
Ernest C. Barlow
Darrell Ziegler
Ronald M. Boyd
David Ritchie
J. D. Schultz
Logan Smith
Leon Brungardt

Gia Stalcup
Don Shonck
Alfred Thoul
Sam Maier
Otto Dentrich
Tillman P. Oehy
D.P. Barnard
Herhardt Bettey
Dale T. Drake
Herman Puff
Harold L. Steiner (Hi)
Jim Munday
Jim Wozniak
Patricia Pedetzke



MENTOR MALL OFFICE
NATIONAL CITY BANK
OF LAKE COUNTY
MENTOR, OHIO

Marathon Oil Company
Findlay, Ohio
OIL AND GAS ACCOUNT

NO. 519280

PAY TO THE ORDER OF

32709 31 2774	05 20 80	AMOUNT	$472.02

M. MARGUERITE BRADY &
JOHN P. BRADY
1425 CALEDON
TOPEKA, KANSAS 66611

⑈519280⑈ ⑆041201761⑆ 4504556⑈ (00)

OWNER NO.	CODE	MO YR	LS	GROSS QUANTITY	GROSS VALUE	TAX APPLICABLE	YOUR NET SHARE OR DEDUCTIONS
3270931	1143	480	1	15090	568524		710.66
31	1143	380	47			190939	236.54
31	1143	480	47				

This is an example of how the
Windfall Profits tax affects
small royalty owners!
One years taxation $2,863.68
And $28,636.80 in ten years
Quite a load for people on
Social Security.
Thanks, Senators Dole and
Baker for your help in
trying to correct a hard
piece of legislation.

Marathon Oil Company Findlay, Ohio

CHECK NO.	CK. DATE		CHECK AMOUNT
519280	052080	DETACH AND RETAIN THIS STATEMENT FOR TAX PURPOSES. NO DUPLICATES FURNISHED. STATE SEVERANCE AND AD VALOREM TAXES HAVE BEEN DEDUCTED AND PAID WHERE REQUIRED.	$472.0

MOUNDRIDGE, KANS., *May 21, 1980.*

DEAR SIR: Ever since I received your Washington News Letter I've been wanting to write to you and tell you and your colleagues that your assessment of the "Windfall Oil Tax" and how it affects the small royalty owner is exactly right. I was shocked the last time I received my so called "Oil Check" how much the Federal Government took out.

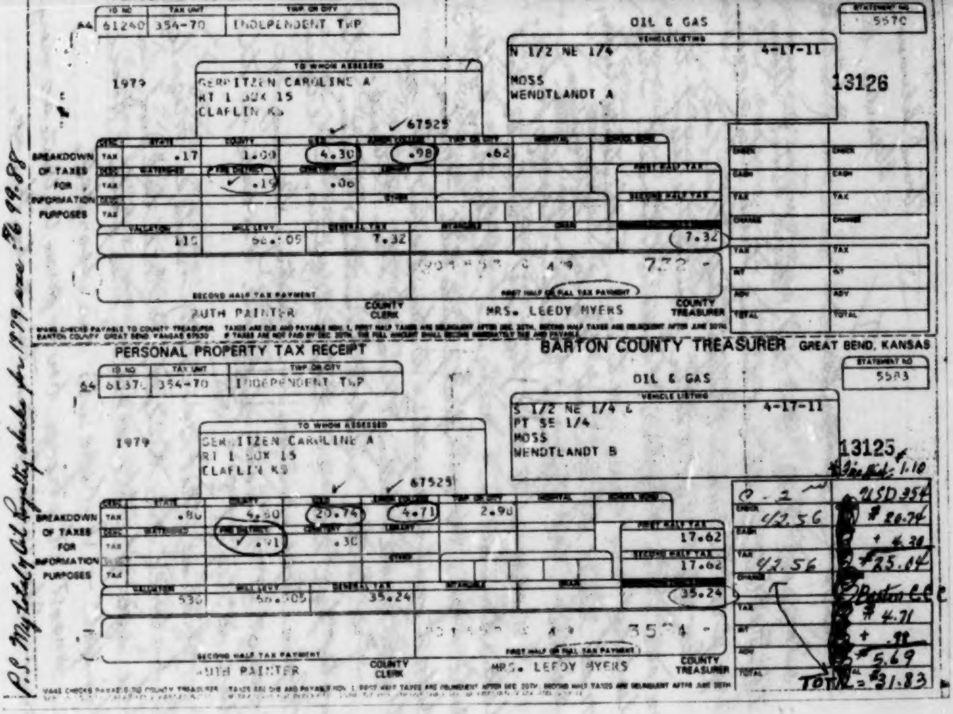
I live in the old "Hollow Field" district in Harvey County. It's an old oil field and the wells are so called stripper wells, and for years the checks amounted to "cream check" values. As farmers we have been farming around these wells for years, very often wishing they were not there, because of the inconvenience of farming around them.

Of late with the oil prices sky rocketing the monthly checks started to look pretty good. I was even hoping that together with Social Security they might support us in our retiring years. I understand you are having a hearing in our state on May 23. I'll try and come to this hearing if at all possible. I hope you can see this matter through and restore what the tax is now taking out.

As you well know the farming economy is in a bad way any help from whatever source is most welcome.

Supposedly much of this tax money is to go to pay fuel bills for poor people. We have plenty of those bills to pay as farmers too. So let's keep the money where it originates.

EDWIN R. SCHMIDT.



ID NO | TAX UNIT | TWP OR CITY
A4 61240 | 354-70 | INDEPENDENT TWP

OIL & GAS

STATEMENT NO 5570

1979

TO WHOM ASSESSED
GERRITZEN CAROLINE A
RT 1 BOX 15
CLAFLIN KS

VEHICLE LISTING
N 1/2 NE 1/4
MOSS
WENDTLANDT A
4-17-11

13126

✓67525

BREAKDOWN OF TAXES FOR INFORMATION PURPOSES

	STATE	COUNTY			TWP OR CITY	HOSPITAL	
TAX	.17	1.00	4.30	.98	.62		
TAX		.19	.06				

VALUATION	MILL LEVY	GENERAL TAX			TOTAL TAX
110	66.505	7.32			7.32

FIRST HALF OR FULL TAX PAYMENT: 7.32 -

SECOND HALF TAX PAYMENT

RUTH PAINTER, COUNTY CLERK

MRS. LEEDY MYERS, COUNTY TREASURER

CHECK / CASH / TAX / CHANGE — TAX / INT / ADV / TOTAL

MAKE CHECKS PAYABLE TO COUNTY TREASURER BARTON COUNTY, GREAT BEND, KANSAS 67530. TAXES ARE DUE AND PAYABLE NOV. 1. FIRST HALF TAXES ARE DELINQUENT AFTER DEC. 20TH, SECOND HALF TAXES ARE DELINQUENT AFTER JUNE 20TH. IF TAXES ARE NOT PAID BY DEC. 20TH, THE FULL AMOUNT SHALL BECOME IMMEDIATELY DUE AND PAYABLE.

PERSONAL PROPERTY TAX RECEIPT

BARTON COUNTY TREASURER GREAT BEND, KANSAS

ID NO | TAX UNIT | TWP OR CITY
64 61376 | 354-70 | INDEPENDENT TWP

OIL & GAS

STATEMENT NO 5583

1979

TO WHOM ASSESSED
GERRITZEN CAROLINE A
RT 1 BOX 15
CLAFLIN KS

VEHICLE LISTING
S 1/2 NE 1/4 &
PT SE 1/4
MOSS
WENDTLANDT B
4-17-11

13125

✓67525

BREAKDOWN OF TAXES FOR INFORMATION PURPOSES

	STATE	COUNTY			TWP OR CITY	HOSPITAL	
TAX	.80	4.80	20.74	4.71	2.90		
TAX		.91	.30				

VALUATION	MILL LEVY	GENERAL TAX			FIRST HALF TAX	SECOND HALF TAX	TOTAL TAX
530	66.505	35.24			17.62	17.62	35.24

FIRST HALF OR FULL TAX PAYMENT: 35.24 -

SECOND HALF TAX PAYMENT

RUTH PAINTER, COUNTY CLERK

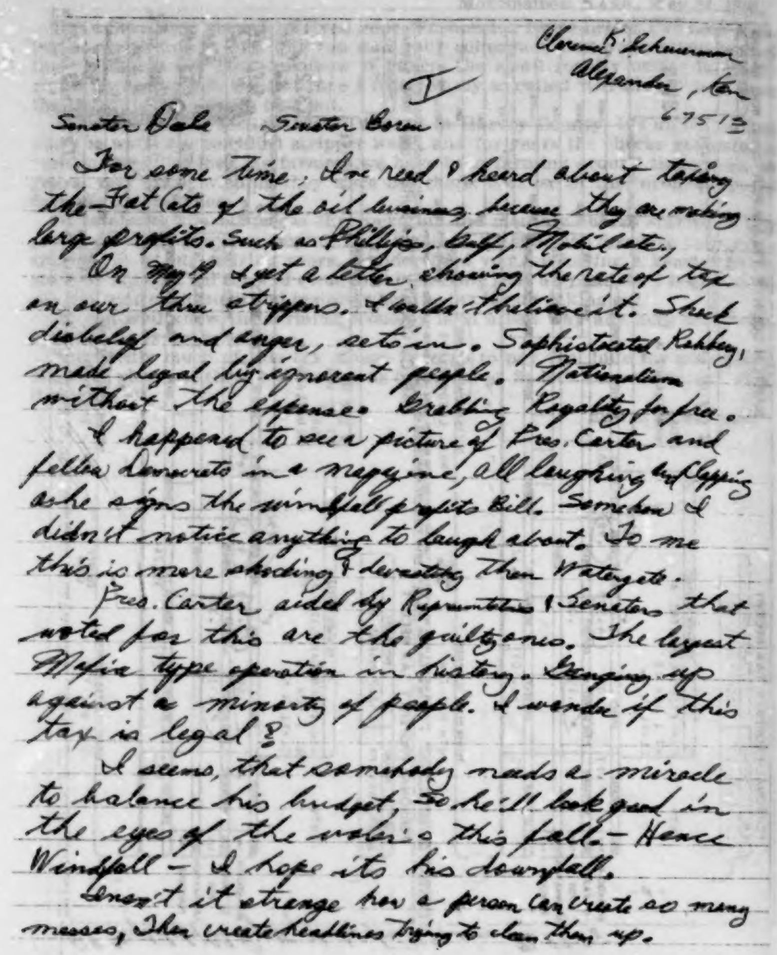
MRS. LEEDY MYERS, COUNTY TREASURER

C - 2
CHECK 42.56
CASH
TAX 42.56
CHANGE

$ Inc. Mil. 1.10
USD 354
$ 20.74
+ 4.30
$ 25.04
Barton CCC
$ 4.71
+ .98
$ 5.69
TOTAL = $ 31.83

MAKE CHECKS PAYABLE TO COUNTY TREASURER. TAXES ARE DUE AND PAYABLE NOV. 1. FIRST HALF TAXES ARE DELINQUENT AFTER DEC. 20TH, SECOND HALF TAXES ARE DELINQUENT AFTER JUNE 20TH.

P.S. My total of Oil Royalty checks for 1979 was: $ 99.88



Clarence K. Schuurman
Alexander, Kan
67513

Senator Dole   Senator Boren

For some time, I've read & heard about taxing the Fat Cats of the oil business, because they are making large profits. Such as Phillips, Gulf, Mobil etc,

On May 19 I got a letter, showing the rate of tax on our three strippers. I couldn't believe it. Shock disbelief and anger, sets in. Sophisticated Robbery, made legal by ignorant people. Nationalism without the expense. Grabbing Royalty for free.

I happened to see a picture of Pres. Carter and fellow Democrats in a magazine, all laughing & clapping as he signs the windfall profits Bill. Somehow I didn't notice anything to laugh about. To me this is more shocking & devastating than Watergate.

Pres. Carter aided by Representatives & Senators that voted for this are the guilty ones. The largest Mafia type operation in history. Ganging up against a minority of people. I wonder if this tax is legal?

I seems, that somebody needs a miracle to balance his budget, so he'll look good in the eyes of the voter's this fall. – Hence Windfall – I hope its his downfall.

Isn't it strange how a person can create so many messes, Then create headlines trying to clean them up.

II

Personally we need this Royalty money to keep
farm operation going and a lot of other expenses
urrent and in the future. I'm sure its no
secret farmers are having a rough time.

It seems, anything making some money
they want to destroy, and make this a land
f peons.

If our Royalty checks had been more I
would have liked to invest some in Wildcat
ventures, They are too small.

Oil business isn't all gravy. Of the few
hat survived to make it, thousands didn't
r went broke.

Anyway, when I received the letter telling
bout the big tax ripoff, I felt that a
part of America, we once knew, had just
died.

Clarence K. Scheuerman
Alexander, Kan. 67513

P.S. Where was our governor, while this was going on?
etting $400,000.00 a year slip out of the state?
Padding for a future job with Carter?

Mobil Oil Corporation P.O. BOX 900
DALLAS, TEXAS 75221

RETAIN FOR YOUR RECORDS
DUPLICATES CANNOT BE FURNISHED

LEASE DIVISION ORDER NO	MO	YR	*	TAX CODE	QUANTITY	TOTAL TAX	NET VALUE	YOUR INTEREST VALUE (−) DENOTES DEDUCTION
678746	03	80	3	30	WINDFALL PROFIT TAX		2,062.94	56.41-
678746	01	80		30	.00	.00	90.39	2.47
678746	02	80		30	.00	.00	212.60	5.81
678746	03	80	3	30	WINDFALL PROFIT TAX		1,031.47	28.20
678746	03	80		30	152.00	.79	5,927.21	162.07

Dorothy M Roth
617 West 2nd St
Larned Ks 67550

INTEREST OWNER NO		DATE	CHECK NO	
814085		04-18-80	2790870	142.14

WHEN WRITING REFER TO DIVISION ORDER AND INTEREST OWNER NUMBER

Mobil Oil Corporation P.O. BOX 900
DALLAS, TEXAS 75221

RETAIN FOR YOUR RECORDS
DUPLICATES CANNOT BE FURNISHED

LEASE DIVISION ORDER NO	MO	YR	*	TAX CODE	QUANTITY	TOTAL TAX	NET VALUE	YOUR INTEREST VALUE (−) DENOTES DEDUCTION
678746	04	80	3	30	WINDFALL PROFIT TAX		2,223.44	60.79-
678746	01	80		30	.00	.00	3.48	.10-
678746	04	80	3	30	WINDFALL PROFIT TAX		1,111.72	30.40
678746	04	80		30	166.55	.87	6,494.58	177.59

Dorothy M Roth
617 W 2nd
Larned Ks 67550

INTEREST OWNER NO		DATE	CHECK NO	
814085		05-18-80	2836805	147.10

WHEN WRITING REFER TO DIVISION ORDER AND INTEREST OWNER NUMBER

pages tightly bound

SMALL ROYALTY OWNERS' EXEMPTION FROM THE WINDFALL PROFIT TAX

THURSDAY, JULY 17, 1980

UNITED STATES SENATE,
COMMITTEE ON FINANCE,
SUBCOMMITTEE ON TAXATION
AND DEBT MANAGEMENT,
Austin, Tex.

The subcommittee met, pursuant to notice, at 10:10 a.m., at the Special Events Center, the University of Texas, 1701 Red River St., Austin, Tex., the Honorable Lloyd M. Bentsen, Jr., chairman of the subcommittee, presiding.

Present: Senators Bentsen and Boren.

[The press release announcing this hearing follows:]

FINANCE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT SETS HEARING ON EXEMPTING ROYALTY OWNERS FROM WINDFALL PROFIT TAX

Senator Harry F. Byrd, Jr., Chairman of the Subcommittee on Taxation and Debt Management of the Senate Committee on Finance announced today that the Subcommittee will hold a hearing on July 17, 1980. Senator Byrd noted that Senators Bentsen and Boren will preside at the hearing.

The hearing will begin at 10:00 a.m. in the special events center of the University of Texas, 1701 Red River Street, Austin, Texas.

The hearing will examine the impact of the Crude Oil Windfall Profit Tax Act of 1980 on royalty owners.

Senators Bentsen and Boren said, "there has been a tendency to believe that the so-called 'windfall profit' tax is targeted solely at the major oil companies which, according to conventional wisdom, stand to reap huge, unearned profits from oil decontrol. The fact is, though, that the tax also hits the pocketbooks of millions of individual royalty owners, many of them Texans and Oklahomans, who hold title to an average of less than five barrels a day of crude production. Many of these royalty owners are retired couples living in rural areas or farmers and ranchers who would be unable to stay on their farms and ranches without royalty income. Unlike the major oil companies, these royalty owners cannot pass the tax on to consumers in the form of higher fuel prices and the tax has cut heavily into the incomes of many of them."

Witnesses who desire to testify at the hearing must submit a written request including, name, a mailing address, and phone number to Michael Stern, Staff Director, Committee on Finance, Room 2227 Dirksen Senate Office Building, Washington, D.C., 20510, by no later than the close of business on July 8, 1980.

Legislative Reorganization Act.—Senator Byrd stated that the Legislative Reorganization Act of 1946, as amended, requires all witnesses appearing before the Committees of Congress "to file in advance written statements of their proposed testimony, and to limit their oral presentations to brief summaries of their argument."

Witnesses scheduled to testify should comply with the following rules:

(1) 100 copies of the statement must be submitted at the hearing on the day the witness is scheduled to testify.

(2) All witnesses must include with their written statement a summary of the principal points included in the statement.

(3) The written statements must be typed on letter-size paper (not legal size).

(4) Witnesses are not to read their written statements to the Subcommittee, but are to confine their oral presentations to a summary of the points included in the statement.

Written statements.—**Witnesses who are not scheduled to make an oral presentation, and others who desire to present their views to the Subcommittee, are urged to prepare a written statement for submission and inclusion in the printed record of the hearings. These written statements should be typewritten, not more than 25 double-spaced pages in length, and mailed with five (5) copies to Michael Stern, Staff Director, Committee on Finance, Room 2227, Dirksen Senate Office Building, Washington, D.C. 20510, not later than Friday, August 8, 1980.**

Senator Bentsen. This hearing will come to order.

We have had an absolutely amazing response to this hearing. [Applause.]

I am told that we now have over 2,500 people here, and the escalators are crowded with people still coming in and they are lined up outside.

I think that this turnout is evidence of the strong feeling about the windfall profit tax. [Applause.]

Texans who are here to protest an unfair tax. The so-called windfall profit tax is an unfair burden on over a half a million Texans. [Strong applause.]

I want to go on record and say that Senator David Boren and I opposed that tax and voted against that tax. [Applause.]

It is certainly my pleasure to have here as a member of the Finance Committee, my distinguished colleague, Senator David Boren of Oklahoma.

Senator Boren has been one of the leaders in Washington speaking out against the tax. I am honored that he could take the time to travel down here today to be with us.

The windfall profit tax is a bad fiscal policy and it is a terrible energy policy. And that is why we oppose it.

It is bad fiscal policy because it places a 10-year $228 billion tax burden on an economy that is already overtaxed. It is bad energy policy because it diverts hundreds of billions of dollars from the search for new energy in this country.

When the windfall profit tax was first proposed, the idea was to prevent oil companies from profiting excessively from decontrol of domestic oil prices.

The tax is a heavy club designed for use against some of the largest and the most diversified corporations in the world.

But today that same club is being wielded against hundreds of thousands of small royalty owners in producer States like Texas and Oklahoma. [Applause.]

Many of you here today have some oil company rig on your farm or a stripper well in the backyard. You are not getting rich from your royalty payments; if there's a windfall, you sure haven't found it.

But, for tax purposes, you are being treated as though you were Exxon, Mobil or Sohio. That's ridiculous.

Most of you here today depend upon your modest royalty payments to cope with inflation or provide for a comfortable retirement. That monthly royalty check is an essential part of your income in these tough times.

But, all of a sudden, you see your royalty payments reduced by one-quarter, one-third, or in some examples I have seen, as much as one-half.

Now, where is the equity? Where is the justice when the modest royalty payment paid to an elderly Texas couple is suddenly taxed as a windfall profit? Where is the fairness when a punishing, blunderbuss tax, that is targeted at the major oil companies, is suddenly turned upon millions of Americans struggling to cope in an era of inflation?

The vast majority of royalty owners in this country are people of modest means. Under the windfall profit tax, they are being asked to contribute $4 billion in new taxation during 1980 and 1981 and that, my friends, is a gigantic tax ripoff that is grossly unfair to every royalty owner in America. [Applause.]

It is a tax that is without reason—a tax that has absolutely nothing to do with the so-called windfall profit.

I think we can agree that the taxation of royalty payments at windfall rates makes no sense and should not be permitted to continue.

Now, let me review with you a moment the history of the treatment of the so-called windfall profit tax.

When this tax was referred to the Senate, I introduced an amendment that would have exempted royalty owners and independent producers up to the first 3,000 barrels per day of production from that tax. During the Senate Finance Committee consideration of that tax, Senator Boren and I fought side by side for the inclusion of that provision in the windfall profit tax.

Unfortunately, we were able to receive only six votes for our amendment. Next there was an attempt to exempt the first 1,000 barrels per day of production for independent strippers and their royalty owners. This was successful in the committee. On the Senate floor, I expanded this to include all independents and their royalty owners.

However, in the conference committee, when it was convened to resolve the differences between the House and the Senate versions of the bill, a majority of members of that conference, who were from nonproducing States, voted against my amendment. They voted to tax royalty owners in the same category as major oil companies.

Senator Boren and I objected strongly to that treatment.

Most of the Members of Congress failed to realize that most of you are not profiting excessively from the decontrol of domestic oil prices.

Many of us in Congress realized the great inequities that were being perpetrated on royalty owners, and we have been working hard since the passage of that tax to correct that great ripoff.

In fact, on June 25, the Senate Finance Committee adopted a proposal, during its consideration of other legislation, that would provide for a one-time $1,000 tax credit for royalty owners during calendar year 1980. That credit is available to individuals, estates, and family farm corporations, but it is not available to trusts or other corporations.

That credit will have no effect on the withholding and other payment requirements of the windfall profit tax because the credit does not directly affect the amount of the royalty owner's windfall profit tax liability, but instead permits a refund, or a credit, for that liability on your tax return.

That proposal has only passed the Senate Finance Committee.

It is a step in the right direction. It obviously does not go nearly as far as the amendment that Senator Boren and I fought for.

I would like to thank Senator Boren for his hard work on this proposal. I think it is the first step in providing some relief. There is another proposal that provides for a 10-barrel-per-day exemption for royalty owners. Senator Boren and I along with 28 of our colleagues, have supported this proposal.

In addition, I have reintroduced my bill which will exempt royalty owners from the windfall profit tax and exempt the first 1,000 barrels per day of production for independent producers. [Applause.]

So the purpose of this hearing is to take testimony from some of the individual Americans of modest means who have learned what it means to be taxed like Exxon.

We also want to examine the various proposals designed to provide relief to America's royalty owners by exempting them from the punishment of the windfall profit tax. [Applause.]

Let me say to you this morning that I have attended a lot of committee hearings. I have never seen this kind of a turnout before. [Applause.]

Unidentified Speaker. We are just getting warmed up.

Senator Bentsen. Yeah, there we go and let me tell you we are going to take the message back to Washington for you too. [Applause.]

Let me also say that we have been flooded with applications to testify. It is far beyond what we anticipated. I was told last night that one gentleman in his seventies rode all night on a bus from Gilmore to get here. He is here and there are many others with similar stories. I wish we could hear them all. We are going to hear an unprecedented number of witnesses this morning. We are going to have to limit you to 5 minutes under the Senate Finance Committee rules, but we will take your entire written testimony for the record. We will get to as many of you as we can.

Those who do not get to testify, we will take your statements for the record.

I would like now to turn to my colleague, Senator David Boren from Oklahoma. [Applause.]

STATEMENT OF SENATOR DAVID L. BOREN

Senator Boren. Thank you.

It is a real privilege for me to be here and to participate in these hearings today and I want to begin and I think I would be remiss if I did not, in expressing to you, on behalf of the people that I represent, the citizens of the State of Oklahoma, our appreciation for your leadership and for your efforts in the Congress, particularly to protect the royalty owners.

You have been our principal spokesman. You have been our leader, and it has certainly been appreciated by all the people of our State. I wanted to express that to you.

We have just been able to sustain the great effort which you made in the Senate, passing the 1,000-barrel exemption.

And to tell you that whatever we get accomplished this year, I'm going to regard it just as a start toward getting the eventual passage of the Bentsen amendment for the 4,000-barrel exemption. I hope we can accomplish that.

People often associate the windfall profit tax with the effect which it will have on the major international oil companies. They are beginning to realize that the bill does not tax profits.

In short, the tax is a fraud which was sold to the American people under false colors. [Applause.]

Senator BOREN. It simply taxes oil produced inside the United States, and all Americans will end up footing the bill. Small domestic independent producers will be especially hard hit.

For every additional $1 per gallon paid for gasoline at the pumps by the American motorist, almost 90 cents will end up going to the Government in tax collections. Only 10 cents will be used and available to private enterprise to produce more energy.

The results for this Nation will be tragic. Instead of more energy, which this country badly needs, we are going to get just higher taxes and more Government spending and more bureaucracy, all of which we certainly don't need. [Applause.]

I have often felt that the—that the signs posted on the gas pumps all across the country saying that, "Congratulations, you just paid $1 or more for gasoline. We thought that you'd like to know as a result of the windfall profit tax we are going to be sending more than 90 cents of that to the Government in the form of higher taxes."

Then I think they should print the names of all those who voted for it in the Congress so that the American people know who is responsible for it. [Strong applause.]

The group which will suffer most of all is the small royalty owners, those who own the minerals that are being produced.

Many of these royalty owners are farmers and ranchers who are already in serious economic trouble. Others are retired persons for whom their royalty checks represent an important supplement to social security. Many have purchased royalty interests as a part of their savings for retirement.

The vast majority of royalty owners have small incomes from that source, many under $100 per month. A study which we just conducted in selected counties in Oklahoma indicated that 52 percent of all the royalty owners receive checks of $200 a month or less.

A study by one oil company recently found that only 21 out of 31,000—I repeat, only 21 out of 31,000—royalty owners had more than 50 barrels per day in royalty production.

The royalty owners could certainly not be classified by any thinking person as any kind of powerful or well-organized special interest group. [Applause.]

As far as I can determine, there is not even a comprehensive composite list of royalty owners existing in the United States.

Many of the small royalty owners do not even realize that their interests were to be included in the tax. In fact, the royalty owners will end up bearing the very large burden of the tax, perhaps as much as $30 billion over the next 10 years. We are dedicated to preventing that from happening. [Applause.]

No other groups have suffered such a gratuitous attack on the value of their investments as the royalty owners and independent producers.

There is no equitable reason for imposing such excessive tax especially on the small royalty owners and producers. For example, this tax will represent a transfer of $750 million from Oklahomans alone to the Northeast part of the United States.

This transfer will increase in our State to $2 billion per year by the year 1981.

Congress has made a serious and a tragic mistake in passing the windfall profit tax. [Applause.]

It has inflicted a serious blow against the interests of our own Nation, not just those who live in Oklahoma or in Texas or Kansas or Louisiana, but the entire Nation by making us even more dependent on other reliable foreign sources for oil, and that dependence has threatened our very national security.

Mr. Chairman, I am proud to join with you in urging our colleagues in the Congress to correct some of the more serious inequities of this tax, particularly the effect that it has upon royalty owners and small producers.

Again I want to tell you that you will have my full support in your efforts. [Applause.]

Senator **Bentsen**. Let me tell you how David Boren got here.

He went until 1 in the morning in Oklahoma making visits across his State and then he got up at 5 this morning to come to our hearing. We are very pleased for him to be here. [Applause.]

STATEMENT OF CONGRESSMAN J. J. PICKLE

I would like to call as our first witness a very able Congressman, representing this the 10th Congressional District, a very dear friend of mine, who has helped lead the fight for royalty owners and independent producers, Congressman J. J. "Jake" Pickle.

Congressman **Pickle**. Senator Bentsen, Senator Boren, from down here on the convention floor I want to welcome both of you to capital city, Austin, Tex.

We particularly welcome you, Senator Boren, though at times we don't welcome all Oklahomans in Austin.

I am very pleased to have you here in this congressional district. I want to thank both of you for providing the leadership in the effort to make our colleagues in Congress aware of the harsh consequences of the windfall profit tax, particularly to small royalty owners.

The tax is harsh, it is unfair, it is unnecessary and it ought to be repealed. [Applause.]

The alleged purpose behind the windfall profit tax was to prevent large oil companies from making excess profits. It was not meant to single out small royalty owners, but that is exactly what has happened.

These small folks are being taxed proportionately more than Shell, Texaco, Exxon, and the other big boys. [Applause.]

I hope this hearing will help demonstrate the difference between the large companies, and small royalty owners, and show why we ought to give the small owners more protection.

Many of the royalty owners were not aware that they were being included in the windfall profit tax until they received their monthly royalty check and discovered a substantial reduction.

Shortly thereafter, I began to receive postcards and letters, hundreds of them, and I'm sure that my colleagues in Congress are having the same response.

Let me share the reaction of one small royalty owner in San Marcos. She writes in,

> I have just had one of the biggest jolts of my life when I received my oil payment check this month. I thought the windfall profits tax was going to just the big oil companies. What a tax! I was receiving $460 a month on the average. Today it was $160. How far will that go at the grocery store? I was depending on that check. I have three children and a lot of bills.

This pretty well sums up the reaction of most of my constituents, but I might add that I have also heard from many retirees and widows who are living on fixed incomes.

They have been using their small royalty checks to help offset inflation and are worried about how they are going to make ends meet now that their checks are substantially reduced.

I voted against the windfall profit tax, not only in the Ways and Means Committee, but also on the House floor. I was a member of the conference committee on the bill and would like to say that I particularly appreciate the work that Senator Bentsen did. Senator Bentsen, I would like these royalty owners to know that you led the fight in the Senate.

Without your help in the Senate, we could not have gone to the conference with as much advantage as we had and without your leadership in the conference we would not have been able to get the special tax rate on the first 1,000 barrels per day for independents. [Applause.]

So Senator I want to thank you as one of the conferees. I particularly want to express my appreciation to you and I am sincerely indebted to you for that. [Applause.]

Congressman PICKLE. Heavy taxation of small royalty owners is a situation that we ought to correct. I have introduced legislation that would exempt the first 10 barrels a day for royalty owners.

Others have introduced legislation that would go from 100 barrels to 1,000 barrels a day.

I also want to commend the efforts of the Senate Finance Committee to give royalty owners a $1,000 tax credit against their 1980 windfall profit tax liability.

As the Senator said, the tax credit will not be given until 1981, but will be on the 1980 tax return. It's not the only relief that we hope to get, but it's a beginning. If you are successful in the Senate, we'll certainly support that in the bill before the House.

These are good efforts. I know that it's late in the session and may be difficult to advance legislation, but I think that we need to try. After all, without the participation of the landowners, drilling for oil would never come about. [Applause.]

If we don't provide some relief to these people, why should they be willing to permit more drilling or any drilling on their lands? [Strong applause.]

You can't have an oilwell or even a dry hole unless you've got the land to drill on. That comes first.

So, in closing, I thank you Senators for holding this hearing, and for coming to our capital city.

We are grateful to you. I'd also like to acknowledge the large crowd we have here. It's not surprising that many are from central Texas because we have a great deal of production in various counties in that area.

A good third of the owners might be from central Texas. So we all know how much we owe to them and we thank you for coming. [Applause.]

[The prepared statement of Mr. Pickle follows:]

STATEMENT OF J. J. PICKLE, MEMBER OF CONGRESS

Senator Bentsen and Senator Boren, I welcome you to Austin and thank you both for providing the leadership to make the public and our colleagues in Congress aware of the harsh consequences of the Windfall Profit Tax to small Royalty owners.

The alleged purpose behind that law was to prevent large oil companies from making excess profits. It was not meant to single out the small royalty owners, but this is exactly what is happening. These small folks are being taxed proportionately more than Shell, Texaco and other "Big Boys." I hope this hearing will help demonstrate the difference between large companies and small royalty owners and show why we ought to give the small owners some protection.

Many of the royalty owners were not aware that they were being included in the Windfall Profit Tax until they received their monthly royalty check and discovered a substantial reduction. Shortly thereafter, I began receiving postcards and letters from confused and upset constitutents. I have received hundreds of these protesting letters.

I'd like to share with you the reaction of one small royalty owner from San Marcos. She writes: "I have just had one of the biggest jolts of my life when I received my oil payment check this month. I thought the Windfall Profit Tax was going to the big oil companies. . . . What a tax! I was receiving $400.00 a month on the average. Today it was $160.00. How far will that go at the grocery store? I was depending on that check. I have three children and lots of bills."

This pretty well sums up the reaction of most of my constituents, although I might add that I have also heard from many retirees and widows who are living on fixed incomes. They have been using their small royalty checks to help offset inflation and are worried about how they are going to make ends meet now that their checks are substantially reduced.

Senators, as you know, I voted against the Windfall Profit Tax bill. I know both of you did, too. I appreciate the hard work and help that you provided when we went to Conference on the bill, but unfortunately we just did not have the votes to defeat the bill or get an exclusion or exemption for the royalty owners.

Heavy taxation of the small royalty owners is a situation that we ought to correct. I have introduced legislation that would exempt the first ten barrels a day from the tax. Others have introduced similar legislation from 100 barrels to 1000 barrels per day. I also commend the efforts of the Senate Finance Committee to give royalty owners a $1000 tax credit against their 1980 windfall profit tax liability. All of these efforts are good ones. I know that it is late in the session and that any legislation, regardless of its nature, will have a tough time advancing, but we must try. After all, without the participation of the landowners, drilling for oil would never come about. If we don't provide some relief to these people, why should they be willing to permit more drilling—or any drilling—on their land? You can't have an oil well, or even a dry hole, unless you have the land to drill on. That comes first!

I want to thank you again, Senator Bentsen and Senator Boren. You are outstanding leaders in the Senate fighting for the protection of the small royalty owner and for a more sensible energy package than what Congress has already passed.

Senator BENTSEN. Our next witness will be the attorney general from the State of Texas, Mark White, who has fought long and hard to try to help Texas royalty owners. In addition, he is doing everything he can to help us on the railroad rate hauling case. As you know, the transportation costs of coal are increasing the price of coal in Austin, San Antonio, Corpus Christi, and many other places.

We are delighted to have you.

STATEMENT OF ATTORNEY GENERAL MARK WHITE

Attorney General White. Thank you, Senator. It's good to be here with you this morning. I would like to congratulate you and the other Members of Congress who did support legislation exempting publicly owned lands in the State of Texas from the windfall profit tax, thus protecting the funding of public education in Texas.

I think that is largely a result of the active work of you and Senator Boren.

The people of our State will benefit for many years to come.

However, I am here today to seek additional relief from the Congress which I believe has treated many of the people of our State and this part of our Nation unfairly.

The so-called windfall profit tax falls most heavily upon Texas and the people in this State who have already paid more than the citizens of any other State for this energy crisis.

We have paid more and been called upon to sacrifice more than the people in any other State. [Applause.]

When we passed the 55-mile-per-hour speed limit bill it did not affect the people in the Northeast who live more closely together as much as it did the people of our State. We have no alternative mass transit. When natural gas from the intrastate market is diverted to the interstate market for shipment to the Northeast at reduced rates, the people of Texas pay higher intrastate gas rates for less certain supplies.

We have sold our oil and gas at a highly regulated and overly restricted marketplace yet we are forced to buy crude on the free market.

We have been required to convert to coal for generation of our electricity and just as that conversion has taken place with inordinate capital expense, we have seen two of our sister States increase their taxes on coal—Montana to 30 percent, Wyoming to 17 percent. Yet Texas, continuing to act in the national interest, has not raised its severance tax since 1968.

As Texas prepared to convert to coal for the generation of electricity, we also incur much greater environmental costs.

We have seen the railroad rates for hauling coal go up 260 percent in San Antonio and Houston and other parts of our State are beginning to suffer from those increased rates. Now the Congress is considering the Rail Act of 1980 which would pave the way for increased rates for the hauling of coal.

I support, as I know many of you, possibly every member in this committee hearing, the exemption of royalty owners and the first thousand barrels of oil from independent producers from the windfall, the so-called windfall profit tax.

As attorney general of Texas, I will take every legal step to protect the State of Texas against unconstitutional Federal legislation. I have done that already.

But litigation is slow and uncertain. The most expeditious solution to this problem is in the Congress and I applaud your efforts and Senator Boren's efforts in trying to bring some measure of equity to this most inequitable piece of legislation.

This State is being plundered by unwise and inequitable energy policy. Texans are tired of paying more than their fair share.

[The prepared statement of Mr. White follows:]

STATEMENT OF ATTORNEY GENERAL MARK WHITE

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE: I greatly appreciate the opportunity to appear before you today to express my concern about the impact of the Crude Oil Windfall Profit Tax Act of 1980 on the small royalty owners in Texas. Several members of this committee have been very sensitive to the fact that this impact is both substantial and harmful. I applaud your efforts to remedy this potentially disastrous situation as deeply as I deplore the fact that the tax has been passed at all.

During the debate on this act, I worked with many members of this committee, as well as other Members of Congress, to exclude from the imposition of this excise tax interests owned by the State of Texas. The exemption in the act for qualified governmental interests properly reflects my view of the law. Since the decision of the Supreme Court in *New York v. United States*, 326 U.S. 572 (1946), I believe that the sovereignty of the State in our Federal system clearly removes it from the purview of the taxing power of the Federal Government where that power would unduly interfere with the performance of the State's functions of Government.

Even though the State as the State, is exempt from this tax, its impact weighs heavily upon the citizens of this State.

The windfall profit tax of 1980 was a reaction to the enormous profits reported by American oil companies during recent years. Ample reason existed for that reaction. Third quarter profits for 1979 for the 25 largest oil producing companies increased over those of the previous year in a range from a low of 14.5 percent to a high of 864.2 percent. The 25-company average net profits was up 96 percent over a year earlier.

Profits continue to increase today at a similar pace. Figures recently released for the second quarter of this year show an average net profit increase of 89.3 percent for the 27 largest companies. During that same second quarter of this year, Exxon reported the largest single quarterly earnings of any publicly held American company at $1.925 billion.

I can well understand how Members of Congress, who are unfamiliar with the oil industry, could see in these enormous numbers quick and simple answers to the overriding problem of balancing the Federal budget. They fixed their vision on this pot of gold and turned a deaf ear to reason and fact. They ignored the fact, for example, that during the first quarter of this year capital and exploration expenditures for these oil companies typically averaged between 85 percent and 90 percent of their earnings. Those numbers should have triggered a deeper inquiry into the nature of the so-called windfall. They were also blind to the enormous burdens which this tax creates for hundreds of thousands of Americans who had invested in producing energy for America, but who are not Exxon or Mobil or Texaco.

Royalty owners in Texas number somewhere between 600 and 650 thousand. None of them showed a profit of $2 billion during the last quarter, but under this tax each of them is a "producer" subject to the tax because they own an economic interest in the production of oil. To most of them that economic interest is measured at most in hundreds of dollars, not billions of dollars.

I know that each of you has received mail from these people telling their stories about what this tax really means to them. As I read my mail, two messages come through. First is that about one-third of their small royalty income is taken away by the tax. The second message is that for many Texans who own a small royalty interest, the money taken by this tax is often the difference between financial independence and dependency on family or government assistance to subsist.

Frankly, I do not believe that the Congress intended to deal a crippling economic blow to the average American citizen trying to make a go at it in the free enterprise system. I do not believe that the Congress intended to create a burden under which citizens would lose their property because they were unable to pay their local taxes after the "windfall" was deducted from their income. Whether that was the intent of Congress, that has most assuredly been the result. And that result must be addressed. I applaud the efforts of this committee as it searches for a way to bring an element of justice to this tax.

I take it no one disputes the fact that the $1,000 income tax credit for royalty owners which has been proposed in the Congress is nothing more than a stopgap answer to a much more fundamental problem. That problem is the travesty of justice to which small royalty owners are subjected by the windfall profit tax, and which cannot be corrected by a mere tax credit available for one year only. It is ludicrous to suggest that they have had any windfall at all.

The only equitable solution is to exempt them from this tax altogether. The proposal which Senator Bentsen originally sponsored and which he has reintroduced to achieve that result deserves the wholehearted support of this committee. This proposal would exempt from the tax the first 1,000 barrels of production per day for royalty owners and independent producers. This exemption would not fill the coffers of the big oil companies. Rather it would permit royalty owners and independents a return on their investments to encourage their continued role in the production of energy in this country. And this role is crucial because independents drill the great majority of exploratory wells in this country.

The United States cannot afford to lose the significant contribution that royalty owners and independents have made to the production of energy in this country. Senator Bentsen's proposal would ensure that this contribution remains firm and viable. I strongly endorse it and call upon this committee to recommend its passage.

Thank you very much.

Senator BENTSEN. Our next witness will be the Honorable James Nugent, railroad commissioner from the State of Texas, who has fought long and hard for Texans.

STATEMENT OF COMMISSIONER JAMES E. NUGENT

Commissioner NUGENT. Senator Bentsen, Senator Boren, we sincerely appreciate your being here today to hear the viewpoints of the aggrieved Texans who feel that they have been mistreated by the Federal legislation and justly so, I think.

I want to thank you for providing this forum and for lending your ear to the needs of many Texans and Oklahomans represented here today.

As you know, the Texas Railroad Commission regulates exploration and production of oil, natural gas, and geothermal resources. We administer State and Federal laws governing the surface mining of lignite coal and uranium, and we have varied responsibilities in the areas of liquid petroleum gas, natural gas utilities and pipelines.

With this involvement in Texas energy, we are intensely concerned about any developments which affect the availability or the cost of energy to Texas consumers.

Historically our State has supplied approximately one-third of the oil and natural gas produced in this country. This has been good for us and good for the Nation.

But it must be recognized that energy is not produced without costs and risks. The people of Texas have subjected our waters, our farmlands, and our fresh air to the hazards of energy development, transportation and processing. Many of these people are the farmers, ranchers and other land owners you see before you today.

We are now confronted with a situation where those who have been unwilling to bear the costs and risks of energy development—those in California who blocked construction of the Long Beach to Midland pipeline, those in the West who oppose drilling in their wilderness areas, and those on the east coast who have blocked construction of even one major refinery in the last 30 years—these are the people who suddenly are greedy for Texas energy.

And they want it at bargain basement prices.

For years they took Texas natural gas at less than replacement cost. It may surprise you to know that 50 percent of the natural gas that leaves Texas today is sold at less than 70 cents per million cubic foot, while we pay Mexico and Canada over $4.50 for the same product. Texas oil is sold today at approximately one-half of the world market price.

But this is only half the story.

At the same time that Texas oil and gas is being shipped north at less than market value, we are required by Federal law to convert our utility and industrial generators to coal and other fuels. This will make even more natural gas available for out-of-State consumption.

This conversion process is massive, and it is very, very costly. Much of the fuel to fire those coal plants will be purchased outside Texas—not at Government-controlled prices, but at the free-floating market price.

The States that produce that coal have increased their severance taxes to as much as 30 percent.

The railroad that hauls that coal has doubled and tripled its quoted prices, with ICC approval. Interestingly, Congress is now considering deregulation of those railroad rates. Congress is not considering deregulation of the pipelines that transport Texas natural gas to the Northeast.

All of these costs—the coal plants, the coal, the rail rates, the severance taxes—must be paid by someone. And that "someone" is the utility rate-payer in Texas. The costs are already being paid by ratepayers in Austin, San Antonio, Houston, Corpus Christi, Amarillo and numerous smaller cities and towns.

Gentlemen, Texas consumers in general, and these small Texas royalty owners in particular, have gotten the double-whammy. [Applause.]

While Texas resources are sold at less than market value, our utility bills have been inflated by the greed of every special interest that seized this as the moment to extract their pound of Texas flesh. [Applause.]

These people here today have invested not only their money, but their land and water, in the production of energy for Texas and the Nation. They have borne the risks and paid the costs. They do not ask for favors, but only fair and equitable treatment. They pay their taxes. But they have been caught in a net that was not intended for them, and the exemption of a modest but necessary portion of their incomes from this additional tax is reasonable and just.

Any consideration that you can force upon the Congress of the United States will give them fair and equitable treatment and all other citizens of the United States. And we sincerely appreciate it. [Applause.]

Senator **Bentsen**. There is a tough-talking Texan that backs it up with the facts.

I see Commissioner Mack Wallace has just walked in. Would you raise your hand.

[A person rose in the audience and waved his hand.]

Senator **Bentsen**. Our next witness will be Mrs. Bates Nisbet, of Houston, Texas.

Mrs. Nisbet, we are pleased to have you. Please come forward.

STATEMENT OF MRS. E. BATES NISBET

Mrs. **Nisbet**. I must take time, members of the committee, to say that we appreciate Senator Bentsen and Senator Boren and anyone who has given this opportunity to tell our story.

I apologize that I want to read fast in order to get mine told in 5 minutes.

Senator **Bentsen**. We will take it all into the record, but you go right ahead.

Mrs. **Nisbet**. Strong protest is made against the windfall profit tax as confiscation of private property and, therefore, unconstitutional. And it will be so proven [very strong applause] but many of us will be long deprived and long dead before this is done, unless you gentlemen give us relief and exempt royalty owners from the tax.

The Constitution grants us the right to our own property. The windfall profit tax discriminates against one segment of property owners. The surface of this land embodying the minerals can be sold by the owner for the highest price he can get. He does not have to pay a windfall profit tax.

There are windfall profits on the horizon in any direction you choose to look; realty, enterprises of every nature, hospitals, professions, goods, services, et cetera. The seller sees his advantage and takes it. America, the United States, has been built upon individual enterprise and this has made it great, in the past. Royalty owners have been robbed of their legal profits.

Why should I be robbed of my living to pay living expenses for others? I know what poverty is. From the time I was 4, my mother was a widow and had only what she could earn from a few piano pupils, a garden, chickens, a pig or two, et cetera, to bring up three children.

We were brought up to be ambitious and industrious and to work for self-preservation and I have helped many along the way.

I deeply resent the fact that it is necessary to appear and to make a public announcement of personal details and difficulties and even plead to keep what is mine—what has been made mine through four and five generations of labor and self-denial over periods from 60 to over 100 years, on the part of my grandmothers, my mother, aunt, and me to keep taxes paid and to defend this property against other thieves. [Strong applause.]

When one thief clouded our title, we had to fight this clear through the State supreme court—and we won. The cost in money, life blood, and effort has been high.

Controls over production for some years deprived us of even a fair return. The oil lease restricts our share to a small one-eighth, and this is made smaller by severance and production taxes and what other taxes, I do not know. And still smaller by laws governing spacing, so the one-eighth amounts to very little. Now, at last, when some controls have been removed and prices are up, royalty owners could finally get a better return—in my case, too late to help those who went before me—the Government confiscates it. [Applause.]

We should not be deprived of property we need for survival. Consider costs of our living: food, personal and medical care, et cetera. Our survival is just as important as the survival of those to whom you plan to give our money. [Applause.]

Our lawmakers and the man called "President" [strong applause] did not learn from the story of the Little Red Hen, as children do, usually, in school.

The Little Red Hen—by the way, I'm a retired teacher—who found a grain of wheat, could get no one to help her plant the wheat, could get no one to help her cultivate the wheat, and no one to help her harvest the wheat. But when it came time to eat the wheat, there were many who wanted to share [applause] but the wheat was her private property and she had the right to decide what to do with it. But as children grow up, they learn that if they don't work, the Government will feed them, et cetera, using money it has taken from those who do work [strong applause].

The Government robs Peter to pay Paul—and I am Peter [applause], 78 years old, alone, my sole support, a widow since 1936, ill with diabetes and many of its complications, serious heart condition, high blood pressure, arteriosclerosis, serious circulatory problems, little or no pulse in the feet, severe arthritis in the feet, the back, the hands, the neck, serious varicose veins.

Prognosis for diabetes: Blindness, kidney failure, heart attack, stroke, and finally, amputation, perhaps. Who should need any profit legally earned by my family and me more than I do? [Applause.]

There are many personal needs, medical and material, which I must deny myself—because the windfall profit tax operates as a threat against my income. I need household help day and night so I won't be alone and to help me with the chores of living, nursing help for foot care and therapy to stimulate circulation, a foot operation, varicose vein operation.

I must save for doctors, medicines, hospitals, nursing homes. I cannot spend enough to be warm in winter and cool in summer. The cooling and heating systems have both needed to be replaced for 5 years and cannot be used. Both are 25 years old.

My house, which was built in 1929, was poorly constructed. The foundation has serious faults, resulting in unlevel floor, wide open cracks in the brick and sheetrock, bulging out in one room and walls mildewed due to moisture entering.

With the prospects of increased income, I had hoped to improve my house and my comfort, but with the windfall profit tax eating away at me, I won't be able to do this. The exterior of the house needs painting very badly. A plumber has told me the entire system of water pipes needs to be replaced. An urgent need is to have burglar bars throughout.

In conclusion, if money is what the Government needs, stop the waste and ridiculous expenditures: stop Carter from sending his family around the world [applause] around the world on tax money [strong applause.]

Stop giving millions to those who want to run for President. [Applause.] Let them use their own money. Raise taxes sharply on luxuries, cigarettes, and liquor. People who can buy these can pay the tax. [Applause.]

If energy is what we need, change the laws that prevent our finding it. Repeal the windfall profit tax. Don't require unitization. Do it the old way; drill on any amount of land, spacing and unitization became the law to conserve oil and gas. Scrap these restrictions now to meet our needs. The foreview is discovery of advanced sources of energy.

Thank you.

Senator Bentsen. That was excellent. [Applause.]

[There was a standing ovation for the witness and strong applause.]

Mrs. Nisbet. Thank you, very much.

Senator Bentsen. When you use that "you," remember, we are on your side. [Laughter.]

[The prepared statement of Mrs. Nisbet follows:]

SUMMARY, ADDRESS BY MRS. E. BATES NISBET AT THE SENATE FINANCE COMMITTEE

Strong protest is made against the WPT as confiscation of private property and therefore unconstitutional, and it will be so proven but many of us will be long deprived and long dead before this is done, unless you give us relief and exempt royalty owners. It discriminates against one segment of property owners.

I resent the fact that it is necessary to make a public announcement of personal details and difficulties and must plead to keep what is mine through generations of labor and self-denial from 60 to over 100 years by my grandmothers, mother, aunt and me to keep taxes paid and defend this property.

The oil lease provides me only a one-eighth share which is reduced by severance, production taxes and what other I do not know, and by laws on spacing and unitization and governmental control. I need my property for my own survival and I need the increased income it offers.

The Government robs Peter to pay Paul. . . . I am Peter—78 years old, alone, my sole support, widow since 1936, ill with diabetes and serious complications: heart condition, high blood pressure, arteriosclerosis, circulatory problem, little or no pulse in the feet, arthritis in the feet, the back, the neck, the hands. Prognosis for diabetes: blindness, kidney failure, heart attack, stroke, amputation. Who needs my property more than I do? ? ?

I must deny myself many needs, medical and material, because of the threat of the WPT. I must save for doctors, medicine, hospitals, nursing homes. I need two operations, household help, nursing help, foundation, brick, sheetrock, etc. repair, painting inside and out, complete new water pipe system. House is poorly constructed, 51 years old. Complete replacement of air-conditioning and heating has been needed for five years and cannot be used. I need burglar bars.

IN CONCLUSION

If money is what the Government needs, stop the waste and ridiculous expenditures; stop Carter from sending his family around the world on tax money; stop giving millions to everyone who wants to run for President—let him use his own money; raise taxes sharply on luxuries, cigarettes, liquor—people who can buy these can pay the tax.

If energy is what we need, change the laws that prevent our finding it; repeal the WPT; don't require unitization and spacing—do it the old way—drill on any amount of land; spacing and unitization became the law to conserve the oil and gas and to make producing more commercial for the producer with less earning for the mineral owner; scrap these restrictions now to meet our needs. Other sources of energy will be advanced.

Strong protest is made against the WPT, as confiscation of private property and therefore unconstitutional and it will be so proven, but many of us will be long deprived and long dead before this is done, unless you, gentlemen, give us relief and exempt royalty owners from the tax. The Constitution grants us the right to our own property. The WPT discriminates against one segment of property owners. The surface of this land embodying the minerals can be sold by the owner for the highest price he can get. He does not have to pay a WPT. There are winfall profits on the horizon in any direction you choose to look: realty, enter-

prices of every nature, hospitals, professions, goods, services, etc. The seller sees his advantage and takes it. America—the United States—has been built upon individual enterprise and this has made it great—in the past. Royalty owners have been robbed of their legal profits.

Why should I be robbed of my living to pay living expenses for others? I know what poverty is. From the time I was four, my mother was a widow and had only what she could earn from a few piano pupils, a garden, chickens, a pig or two, etc. to bring up three children. We were brought up to be ambitious and industrious and to work for self-preservation, and I have helped many along the way.

I deeply resent the fact that it is necessary to appear and make a public announcement of personal details and difficulties and even plead to keep what is mine—what has been made mine through four and five generations of labor and self-denial over periods from sixty to over one hundred years on the part of my grandmothers, mother, aunt and me to keep taxes paid and to defend this property against other thieves. When one thief clouded our title, we had to fight this clear through the State Supreme Court—and we won. The cost in money, life blood and effort has been high.

Controls over production for some years deprived us of even a fair return. The oil lease restricts our share to a small one-eighth and this is made smaller by severance and production taxes and what other taxes I do not know, and still smaller by laws governing spacing, so the one-eighth amounts to very little. Now, at last, when some controls have been removed and prices are up, royalty owners could finally get a better return—in my case, too late to help those who went before me—the Government confiscates it. We should not be deprived of property we need for survival. Consider costs of our living—food, personal and medical care, etc. Our survival is just as important as the survival of those to whom you plan to give our money.

Our lawmakers and the man called "President" did not learn from the story of The Little Red Hen as children do, usually, in school. The little red hen, who found a grain of wheat, could get no one to help her plant the wheat, could get no one to help her cultivate the wheat, could get no one to help her harvest the wheat . . . but when it came time to eat the wheat there were many who wanted to share, but the wheat was her private property and she had the right to decide what to do with it. But as children grow up they learn that if they don't work, the Government will feed them, etc., using money it has taken from those who do work.

The Government robs Peter to pay Paul . . . I am Peter—78 years old, alone, my sole support, a widow since 1936, ill with diabetes and many of its complications: serious heart condition, high blood pressure, arteriosclerosis, serious circulatory problem, little or no pulse in the feet, severe arthritis in the feet, the back, the neck, the hands, serious varicose veins. Prognosis for diabetes: blindness, kidney failure, heart attack, stroke, amputation. Who should need any profit legally earned by my family and me more than I do???

There are many personal needs, medical and material, which I must deny myself, because the WPT operates as a threat against my income. I need household help day and night so I won't be alone and to help me with the chores of living, nursing help for foot care and therapy to stimulate circulation, a foot operation, varicose vein operation. I must save for doctors, medicines, hospitals, nursing homes. I cannot spend enough to be warm in winter and cool in summer. The cooling and heating systems have both needed to be replaced for five years and cannot be used. Both are 25 years old.

My house, poorly constructed, was built in 1929. In 1955 attempt was made to improve it but this, too, failed. The foundation has serious faults, resulting in unlevel floor, wide open cracks in the brick and sheetrock (bulging out in one room and walls mildewed due to moisture entering). With the prospects of increased income, I had hoped to improve my house and my comfort, but with the WPT eating away at me, I won't be able to do this. The exterior of the house needs painting very badly. A plumber has told me the entire system of water pipes needs to be replaced. An urgent need is to have burglar bars throughout.

In conclusion, if money is what the Government needs: Stop the waste and ridiculous expenditures; stop Carter from sending his family around the world on tax money; stop giving millions to those who want to run for President—let them use their own money. Raise taxes sharply on luxuries, cigarettes, liquor. People who can buy these can pay the tax.

If energy is what we need: Change the laws that prevent our finding it. Repeal the WPT. Don't require unitization. Do it the old way—drill on any amount of

and—spacing and unitization became the law to conserve oil and gas. Scrap these restrictions now to meet our needs. The foreview is discovery of advanced sources of energy.

Senator BOREN. Chairman, I just want to tell her that I hope you don't decide to come to Oklahoma before 4 years is up and file for the U.S. Senate seat.

Senator BENTSEN. Jake Pickle, we want you up here to help us with these hearings. Our next witness is Marjorie Arsht.

STATEMENT OF MARJORIE M. ARSHT

Mrs. ARSHT. Senators and members of the press and staff of the Finance Committee, in order to use my allotted time most efficiently, I have attached exhibits. Those marked "I" refer to the royalty interest owned by my almost 90-year-old mother-in-law who is infirm and in a nursing home at the cost each day of using up her lifetime savings—every dollar counts.

I realize that the Congress is accustomed to thinking of oil interests in terms of millions or billions of dollars. I sometimes think that Senators Jackson and Metzenbaum derive their knowledge of the energy business from the TV serial Dallas or the movie version of Edna Ferber's Giant.

But those stories are fictional. The check stubs are real. The first two from December 1979 and February 1980 reveal the increase in price: $74 and $60.44. In March 1980, the guillotine that is the so-called windfall profit tax descended.

And the legislation passed by your Democrat-controlled Congress, which purports to care about the elderly and the helpless resulted in the subtraction of a royalty check of $12.36 gross by $4.07 leaving my mother-in-law with $8.14. The April check subtracted $14.63 from a gross of $43.64 leaving the grand net figure of $29.01. This is hardly income befitting the Rolls Royce set making obscene profits.

Last year my husband of 40 years died. I was his only part-time clerical assistant in his small oil company, the management of which I inherited without preparation or notice.

I also have one part-time clerical assistant. The exhibit marked "II" refers to an old three-well field in Atascosa County, Tex. The exhibit includes a check stub for May production and a computer printout of details of the windfall profit tax subtracted.

Please note that this is classified as tier two stripper oil which for an independent producer should carry the 30-percent rate. For your convenience I have included in this "II" exhibit the clearest of all the oil companies summaries of the windfall profit tax. However, although the operator of this small oil field and I both signed independent producer forms in accordance with your tax act, we are being taxed at the rate of 60 percent instead of 30 percent. Of course, I have called the first purchaser, who promises to investigate the matter, and rectify the error.

However, it is necessary to impress upon all of you the difficulties under which really small companies, producers like me, are laboring. My small company takes an eighth interest, a sixteenth there.

Occasionally, if there is some risk capital, we invest $5,000 or $10,000 in royalty acres, not many—acres—generally, where a wildcat well is to be drilled.

Because the impositions of the tax act and the vagueness of the Department of Energy's temporary regs, which is bureaucratese for regulations, are so treacherous, I have gone to every seminar, asked for every opinion. But, in the end, I am, because of my small size, totally dependent on the operators of these properties in which I have only a small interest.

At a recent seminar, attended by people from all over the United States, where panelists included energy experts in law, in Texas, who acted as consultants and a representative from the Department of Energy, I learned enough to know that I and my little company are in grave danger.

Are you aware that this incredible Department with its $13 billion budget and its 20,000 employees who must, of course, pass Senator Metzenbaum's litmus test for purity which constitutes never having been near an energy company or closer to a well than a picture of one has [applause] the power under its regs to impose upon me, the first producer, a fine of $500 a day with each new day, a new infraction even if my operator makes an unwitting mistake?

A deliberate mistake calls for a $5,000-a-day fine——

Senator BENTSEN. I'm sorry, your time has expired.

Mrs. ARSHT. May I just——

Senator BENTSEN. My problem is that I have got over 25 more witnesses that are scheduled to testify. Thank you, very much.

Mrs. ARSHT. Senator, I will make one little concluding statement.

I am sorry that I could not complete a 3½ double-spaced statement which had exhibits. I do want to say that this is a political season. I regret—because this is such an issue, that you have chosen this day when no major Republican could share in expressing their opinion. There are no greater supporters of this than Governor Clements, Senator Dole, Chester Upham [phonetic], and many others.

I am a little unimportant person, but this is a high priority issue in a political season. And you are politicians. I think you should inform your colleagues that there are more farmers whose lands are no longer suitable for the production of foodstuffs or grazing, more small royalty owners and more small producers than there are the seven big sisters—and they all vote.

Thank you for allowing me these words. [Applause.]

I hope you will enjoy the cartoon at the end of my prepared statement.

Senator BENTSEN. Thank you. My good friend Senator Bob Dole of Kansas was invited to attend this hearing. He is a member of the Senate Finance Committee and has worked very hard on this issue. He was also very helpful on the Bentsen amendment. He had hoped to be here and I thought he was going to be here.

[The prepared statement of Mrs. Arsht follows:]

STATEMENT OF MARJORIE M. ARSHT, PRESIDENT OF NATIONAL PETROLEUM CO.—JULY 17, 1980

1. Problems of small royalty owners with exhibits.
2. Problems of small energy companies with exhibits.
3. The problem of the D.O.E.

Senators, members of the Finance Committee, members of the staff: In order to use my allotted time most efficiently I have attached exhibits. Those marked "I" refer to the royalty interest owned by my almost 90-year old mother-in-law who is infirm and living in a nursing home at the cost each day of using up her lifetime savings. Every dollar counts. I realize that the Congress is accustomed to thinking of oil interests in terms of millions or billions of dollars.

I sometimes think that Senators Jackson and Metzenbaum derive their knowledge of the energy business from the TV serial "Dallas" or the movie version of Edna Ferber's "Giant." But those stories are fictional. The check stubs are real. The first two from Dec. 1979 and Feb. 1980 reveal the increase in price, $74.00 and $60.44. In March, 1980 the guillotine that is the so-called "Windfall Profits Tax" descended. And the legislation passed by your Democrat-controlled Congress, which purports to care about the elderly and the helpless resulted in the subtraction of a royalty check of $12.36 gross by $4.07 leaving my mother-in-law with $8.14. The April check subtracted $14.63 from a gross of $43.64 leaving the grand net figure of $29.01—this is hardly income befitting the Rolls Royce set making obscene profits.

Last year my husband of 40 years died. I was his only part-time clerical assistant in his small oil company, the management of which I inherited without preparation or notice. I also have one part-time clerical assistant. The exhibit marked "II" refers to an old 3-well field in Atascosa County, Texas. The exhibit includes a check stub for May production and a computer print-out of details of the WPT subtracted. Please note that this is classified as tier two stripper oil which for an independent producer should carry the 30% rate. For your convenience I have included in this "II" exhibit the clearest of all the oil companies summaries of the WPT. However, although the operator of this small old field and I both signed independent producer forms in accordance with your tax act, we are being taxed at the rate of 60% instead of 30%. Of course I have called the "first purchaser" who promises to investigate the matter, and rectify the error.

However, it is necessary to impress upon all of you the difficulties under which really small producers like me are laboring. My small company takes an eighth interest here, a sixteenth there. Occasionally, if there is some risk capital we invest $5,000 or $10,000 in royalty acres generally where a wildcat well is to be drilled. Because the impositions of the Tax Act and the vagueness of the D.O.E's "temporary regs" (bureaucratese for regulations) are so treacherous I have gone to every seminar, asked for every opinion. But in the end I am, because of my small size totally dependent on the operators of these properties in which I have only a small interest.

At a recent seminar, attended by people from all over the U.S., where panelists included energy experts in law, in taxes, who acted as consultants *and* a representative from the D.O.E., I learned enough to know that I and my little company are in grave danger. Are you aware that this incredible department with its *$13 billion* budget and its 20,000 employees who must, of course pass Senator Metzenbaum's litmus test for purity which constitutes never having been near an energy company or closer to a well than a picture of one has the power under its "regs" to impose upon me, the "first producer" a fine of $500 a day with each new day a new infraction even if my operator makes an *unwitting* mistake? A deliberate mistake calls for a $5,000 a day fine, but for the life of me I can't understand how a deliberate mistake *can* be made when the representative of the D.O.E. carefully explained that no definition of "property" had been ascertained. A "property" may be a reservoir, or a lease, or a unitized group of leases—and if you want a ruling, well, maybe in 6 months. One poor man from New Jersey at the seminar had a tract in Appalachia he wanted to divide into four drilling groups—but despite the fact that he had a drilling commitment, everyone was just sorry. We did get a lot of sympathy, which, with a quarter will buy a cup of coffee, maybe.

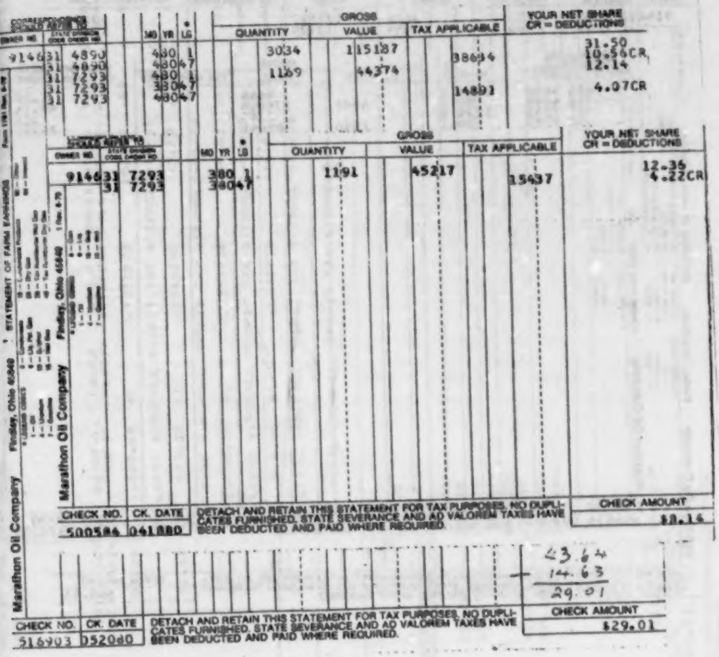
Even more startling, that young man from D.O.E. carefully explained, although he was sorry, that the D.O.E. had no idea whatsoever how the IRS would interpret their "regs".

Everyone of you must know that the very name of the WPT is a rank deception foisted upon the American consumer—because profits are not involved. One of the 3 wells listed on this printout needed a packer to block off a collapsed casing. My cost will be about $2000. When and if that well is saved and again produces its 8 or 9 barrels, those barrels of oil will be taxed just as if there had been no expense at all. And that check was gross of operating expenses, production taxes and incidentally I have just been notified that Atascosa County is raising its assessed valuation from 30% to 100%. Theoretically, I could go bankrupt in June and under your act's 90% rule have the small solace of some refund sometime after the end of the year.

There is just one more thing. Charles Duncan spent 30 minutes on national TV discussing conservation, synthetic and exotic fuels. Never once did he even *mention* the stimulation of the domestic production of oil and gas before the big dream, a solar satellite comes on stream in about 30 years. But what of the interim period? Is Mr. Carter's "war on energy" really a "war *against* energy".

This is a political season. You are politicians. I think you should inform your colleagues that there are more farmers whose lands are no longer suitable for the production of foodstuffs or grazing, more small royalty owners and more small producers than there are the 7 big sisters. And they all vote. I don't blame the majors for buying circuses and department stores. They have an obligation to return a dividend to their stockholders. But the little people like us don't have that option. If any of these damaged persons in my category vote for a continuation of this kind of energy policy they truly deserve the abomination that is the Department of Energy.

EXHIBIT I



Marathon Oil Company Findlay, Ohio 45840 STATEMENT OF FARM EARNINGS

OWNER NO.	STATE	OWNER NO.	MO	YR	LG	QUANTITY	VALUE	TAX APPLICABLE	YOUR NET SHARE CR = DEDUCTIONS
9146	31	4890	4	80	1	3034	115187	38694	31.50
	31	4890	4	80	47				10.56CR
	31	7293	4	80	1	1169	44374		12.14
	31	7293	3	80	47			14891	4.07CR
	31	7293	4	80	47				

Marathon Oil Company Findlay, Ohio 45840

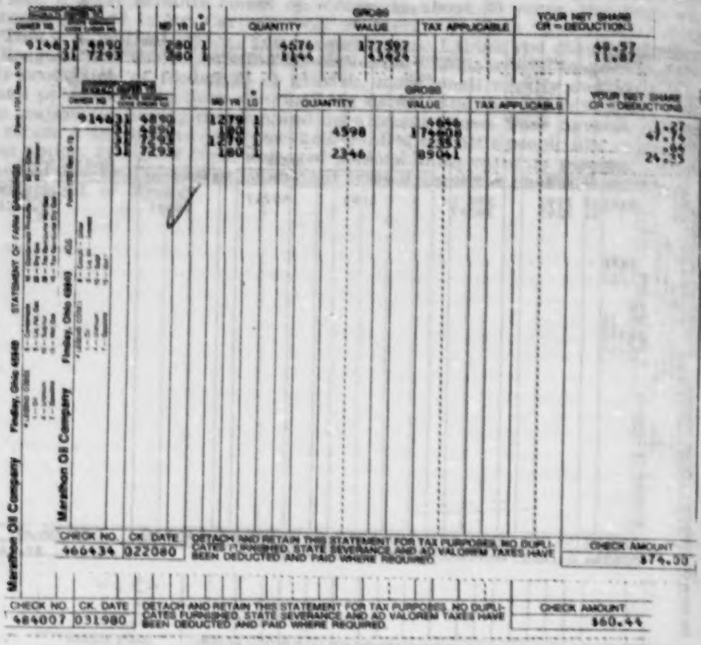
OWNER NO.	STATE	OWNER NO.	MO	YR	LG	QUANTITY	VALUE	TAX APPLICABLE	YOUR NET SHARE CR = DEDUCTIONS
9146	31	7293	3	80	1	1191	45217	15437	12.36
	31	7293	3	80	47				4.22CR

CHECK NO.	CK. DATE		CHECK AMOUNT
500586	041880	DETACH AND RETAIN THIS STATEMENT FOR TAX PURPOSES. NO DUPLICATES FURNISHED. STATE SEVERANCE AND AD VALOREM TAXES HAVE BEEN DEDUCTED AND PAID WHERE REQUIRED.	$8.14

43.64
− 14.63
29.01

CHECK NO.	CK. DATE		CHECK AMOUNT
516903	052080	DETACH AND RETAIN THIS STATEMENT FOR TAX PURPOSES. NO DUPLICATES FURNISHED. STATE SEVERANCE AND AD VALOREM TAXES HAVE BEEN DEDUCTED AND PAID WHERE REQUIRED.	$29.01

(OVER)



Marathon Oil Company Findlay, Ohio 45840 STATEMENT OF FARM EARNINGS

OWNER NO.			MO	YR	LS	QUANTITY	VALUE	TAX APPLICABLE	YOUR NET SHARE OR – DEDUCTIONS
9146	31	4890	2	80	1	4676	177597		48.57
	31	7293	2	80	1	1144	43424		11.87

CHECK NO.	CK. DATE		CHECK AMOUNT
484007	031980	DETACH AND RETAIN THIS STATEMENT FOR TAX PURPOSES. NO DUPLICATES FURNISHED. STATE SEVERANCE AND AD VALOREM TAXES HAVE BEEN DEDUCTED AND PAID WHERE REQUIRED.	$60.44

Marathon Oil Company Findlay, Ohio 45840

OWNER NO.			MO	YR	LS	QUANTITY	VALUE	TAX APPLICABLE	YOUR NET SHARE OR – DEDUCTIONS
9146	31	4890	12	79	1		4086		1.27
	31	4890	1	80	1	4598	174608		47.74
	31	7293	12	79	1		2381		.96
	31	7293	1	80	1	2346	85041		24.35

CHECK NO.	CK. DATE		CHECK AMOUNT
460434	022080	DETACH AND RETAIN THIS STATEMENT FOR TAX PURPOSES. NO DUPLICATES FURNISHED. STATE SEVERANCE AND AD VALOREM TAXES HAVE BEEN DEDUCTED AND PAID WHERE REQUIRED.	$74.33

APP0109

THE PERMIAN CORPORATION
WINDFALL PROFIT TAX STATEMENT
FOR THE MONTH OF MAY, 1980

PAGE [illegible]
OWNER PAGE 1
RUN DATE 06/20/80

..........OWNER.......... NO.	------NAME------	TAXPAYER ID
089450	3-R OIL COMPANY	74-1661485

LEASE NO.	DATE PURCH	WPT/DOE TIERS	NET VOLUME	REMOVAL VALUE	TOTAL ADJ. BASE VALUE	TOTAL SEV. TAX ADJ.	WINDFALL PROFIT	OWNER KND/TYP	OWNER INTEREST	OWNER WINDFALL PROFIT	TAX RTE	OWNER WPT WITHHELD
170103	05-80	2 STR	62.34	2,248.48	989.91	57.89	1,200.68	WI	.1281873	153.82	.60	92.29
							LEASE WINDFALL PROFIT TAX WITHHELD-05/80					92.29
170104	05-80	2 STR	24.58	865.77	389.96	22.81	473.00	WI	.1543750	73.02	.60	43.81
							LEASE WINDFALL PROFIT TAX WITHHELD-05/80					43.81
170105	05-80	2 STR	99.67	3,270.52	1,439.86	84.21	1,746.45	WI	.1377734	240.61	.60	144.37
							LEASE WINDFALL PROFIT TAX WITHHELD-05/80					144.37
170106	05-80	2 STR	156.79	5,655.28	2,489.77	145.61	3,019.90	WI	.1377734	416.06	.60	249.64
							LEASE WINDFALL PROFIT TAX WITHHELD-05/80					249.64
			354.35									

TOTAL WINDFALL PROFIT TAX WITHHELD 530.11

THE PERMIAN CORPORATION.
BOX 1183, HOUSTON, TEXAS 77001

1524360	02080

	089450

				TOTAL TAX	NET VALUE		
0005	170103		WINDFALL PROFIT TAX				92.29-
0580	170103	.1281873	62.34	103.55	2,144.94	288.05	274.78
0580	170104	.1543752	24.56	40.79	844.97	136.74	130.45
0580	170104		WINDFALL PROFIT TAX				43.81-
0005	170105		WINDFALL PROFIT TAX				144.37-
0580	170105	.1377734	90.67	150.61	3,119.91	450.59	429.84
0580	170106	.1377734	156.79	260.44	5,394.84	779.15	743.27
0580	170106		WINDFALL PROFIT TAX				249.64-
		YTD WINDFALL PROFIT TAX		2,138.98		TOTAL	1,040.23*

YEAR TO DATE PAYMENTS	74-1661485	16,652.06	766.82	13,746.26

DUPLICATE INFORMATION WILL NOT BE FURNISHED.

EXHIBIT II

MARATHON OIL COMPANY,
Findlay, Ohio, May 20, 1980.

To: All Royalty Owners and Working Interest Owners.
Re: Crude Oil Windfall Profit Tax Act of 1980.

A. IMPOSITION OF WINDFALL PROFIT TAX

The recently enacted Crude Oil Windfall Profit Tax Act imposes an excise tax on all domestically produced crude oil and condensate, except for certain Alaskan and certain front end tertiary oil production. The tax is levied on all producers of crude oil and condensate except for the following producers which are exempt from the tax:

(a) qualified governmental interests;
(b) qualified charitable interests; and
(c) qualified Indian interests.

A "producer" is defined as the holder of an "economic interest" in the property. Under Regulation Section 1.611–1(b)(1) to the Internal Revenue Code of 1954, "an economic interest is possessed in every case in which the taxpayer has acquired by investment any interest in mineral in place . . . and secures, by any form of legal relationship, income derived from the extraction of the mineral . . . to which he must look for a return of his capital." Thus, as a general rule, all working interest, royalty, overriding royalty, net profit interest, or other similar interest owners are holders of an economic interest and are therefore classified as "producers" subject to the tax.

The Act generally requires the first purchaser of the oil to withhold the Windfall Profit Tax and deposit it with the U.S. Treasury Department on behalf of each economic interest owner.

B. THE TAX RATES

The tax rate on the windfall profit per barrel depends on three factors: 1) the tax tier of the oil; 2) the applicable tax rate of the producer; and 3) the type of crude oil produced (some of which, as stated above, is exempt). The following table illustrates the applicable tax rates.

[In percent]

	General rule	Independent producer oil	Exempt producer	Exempt crude oil
Tier 1	70	50	0	0
Tier 2	60	30	0	0
Tier 3	30	30	0	0

Tier 1 oil is defined as all oil which is not tier 2 or tier 3 oil. Tier 2 oil includes stripper oil and oil produced from a National Petroleum Reserve. Tier 3 includes a) newly discovered oil; b) heavy oil (16.0° gravity and below); and c) incremental tertiary oil.

If you hold a royalty interest in a property, withholding is required at the rates shown above under "General Rule," unless you qualify under one of the "producer exemptions" enumerated above and certify as such.

If you hold a working interest in a property, withholding is required at the rates shown above under "General Rule" unless you qualify as an "independent producer" or "exempt producer" (as enumerated above) and certify as such.

C. INDEPENDENT PRODUCERS

If you own a working interest and 1) have gross receipts of less than $1,250,000 per calendar quarter from sales of oil, natural gas or products derived therefrom, and 2) do not refine more than 50,000 barrels of crude oil on any day during the calendar quarter, then you may qualify as an "independent producer." If you qualify as an "independent producer" you will receive favorable treatment under the law on production from "working interest" holdings only up to a maximum of 1,000 barrels per day of tier 1 and tier 2 oil. Where both tiers are present, the 1,000 barrels must be allocated between the two tiers.

ne Windfall Tax deducted from your remittance is identified as legend codes) 47 and 49 for crude oil and condensate, respectively.

educed Independent Producer tax rates have been used in calculating Wind- Profit Tax if we received your certification as an independent producer on efore May 7, 1980, indicating qualifications for the reduced tax rate. Correc- s will be made in the following months on certifications received after this

early, if you qualify for the reduced or zero tax rates, it is to your advantage nake that fact known to Marathon as soon as possible. If you hold a working rest in a property which Marathon operates, you should have received a pro- r certificate upon which you can designate your tax status. If you have not ived Marathon's form you may also certify your status to us on Internal enue Service (IRS) form number 6458. Either form is acceptable and dup- e forms are not required; however certification must be furnished for each erty.

he above noted information is not intended to provide you legal advice in rpreting the complex Windfall Profit Tax Act. If you should have questions ut the interpretation or imposition of the tax, we suggest you contact your advisor.

MARATHON OIL COMPANY.

Our next witness will be Mr. Frank Pitts, who is the president of as Independent Producers and Royalty Owners Association.

You may proceed, Mr. Pitts.

TESTIMONY OF MR. FRANK PITTS

Mr. PITTS. Senators, I appear as president of Texas Independent oducers and Royalty Owners Association, which is composed of ne 4,300 independent producers and royalty owners, with an interest petroleum in the State of Texas. I have also asked to appear on AA as well.

Now I have here my written testimony, and I would like for it to reported as though it were read.

Texas Independent Producers and Royalty Owners Association rked hard, as you know, for an amendment to this so-called wind- l profit tax for 1,000 barrels per day exemption for independents l the royalty owners, but without success.

This tax is not anything but an excise tax, and it is having immediate l devastating results. Somehow, I don't know why, Congress seems think royalty owners are like big oil and pass a tax at the same rate them as on big oil.

Now, there are approximately 2 million royalty owners in this coun- and about 1½ million of them collectively produce about 400,000 rrels a day production. That averages only about a quarter of a rrel per day per royalty owner.

This doesn't indicate to me big wealth. The royalty owner is an ential part of the extraction process of petroleum. Without the yalty owner's contribution of the basic mineral rights themselves to s process there would be no exploration and development of our oil d natural gas resources in this country. The so-called windfall profit x is hurting the royalty owners and relief should be given to them.

My purpose today [applause] is not to discuss specific hardships and ury to coal and royalty owners; they will testify to that themselves. will discuss the energy aspects of the so-called windfall profits tax.

Now, when the President brought out his big propaganda campaign and recommended the windfall profit tax, he inferred that we were about to run out of oil and natural gas in this country and that the oil companies should be forced to pay this tax on production that remained, in order to raise funds to develop alternative means of energy. It appears most of the money to be raised from the windfall profit tax will not even be used for that purpose. But that is not my point.

My point is: I agree that alternative energy forms must be developed. I do not agree, however, that we are about to run out of oil and natural gas in this country. [Applause.]

Here is a map. This is a map that shows all the oil and gas produced in this country. [Applause.]

Here is a map. This is a map that shows all the oil and gas produced in this country has been produced only on 2 percent of the potential provinces of the oil and gas available. Ninety-eight percent of the potential sediment for the oil and gas, onshore and offshore in the United States, has been not touched by drilling. And let me say that that represents about 3 million square miles.

They say, "Why don't you drill more for oil?" Well, number one, it cost money and plenty of money. But we must drill more wells, deeper wells in this country and it cost double every 2,800 feet of drilling depth. I just want to give you some idea.

For example, let's say for a well in east Texas, 2,800 feet costs $42,000 to drill. If you want to drill it 6 times deeper, instead of the well costing only 6 times as much, it cost 63 times as much, or more than $2.5 million.

Therefore, you can see it takes money to do this development. We cannot do the drilling job needed with measures such as the Crude Oil Profit Tax of 1980.

Let's take Texas for example. This tax can take out of Texas $65 billion in 10 years, so it is estimated. Now, if you figure an average barrel with inflation costs $200,000 down to the point of setting pipe, we could drill 325,000 wells in Texas with this money that they will take out of Texas to send to Washington. [Applause.]

This is three times as many wells as we are currently drilling in the State of Texas. We drilled only 18,000 wells last year. The windfall profit tax takes money away from exploration and development of our natural resources at a time when incentives rather than disincentives are needed.

For this reason, Texas Independent Producers and Royalty Owners Association supports exempting royalty owners from the windfall profit tax.

Grant us this exemption. If you do, we will be able to bridge the energy gap. We will be able to provide America with the energy that is estimated we need to develop for the next 20-year period before the new and alternate forms of energy come on stream.

I thank you very much. [Applause.]

Senator BENTSEN. I know how much you and your associates have worked to try to protect the royalty owners and we are very appreciative of your testimony here.

[The prepared statement of Mr. Pitts follows:]

STATEMENT BY L. FRANK PITTS, PRESIDENT, TEXAS INDEPENDENT PRODUCERS AND ROYALTY OWNERS ASSOCIATION

Mr. Chairman and Members of the Subcommittee: My name is L. Frank Pitts. I appear here today as President of the Texas Independent Producers and Royalty Owners Association, which is composed of some 4,300 independent producers and royalty owners with an interest in petroleum in the State of Texas. Our royalty owner members are representative of owners affiliated with all domestic oil production.

You are aware, I am sure, that TIPRO worked hard throughout the legislative process resulting in the Oil Windfall Profits Tax of 1980 in support of amendments that would result in exemption for both independent producers and all royalty owners. We did not succeed, of course, although under the leadership of Senator Lloyd Bentsen and others, we were able to preserve percentage depletion on the wellhead price received for both independent producers and all royalty owners in the face of serious opposition.

Our Association has been besieged with letters and phone calls from disturbed royalty owners who are now beginning to feel the severe effects of the oil excise tax burden. The royalty entities hit the hardest are those who own stripper and new exploration oil, for they have experienced rollbacks in wellhead value received ranging from $5.00 to $14.00 per barrel. Later, as decontrol by the Department of Energy proceeds to conclusion, other royalty owner groups affiliated with flowing Tier I oil will become equally disturbed by the tax.

According to information available to us, there are some two million royalty owners of oil and gas in the United States with slightly over one-third located in Texas. About 1.6 million of this total are estimated to be involved with crude oil production. It is further estimated that 1.5 million of this total hold little more than 400,000 barrels per day royalty production, which averages about one-fourth of a barrel per day per owner. This refutes the widely held contention that all royalty owners are extremely wealthy and are, therefore, a logical group to tax heavily under the Crude Oil Windfall Profits Tax.

Thus, TIPRO is supportive of measures to ease the tax burden for royalty owners. In fact, our Association continues to support the 1,000 barrel per day exemption for independent producers and all royalty owners initiated by Senator Bentsen last fall. We are firmly committed to this position for several reasons, but our central purpose outweighs all the rest: the drilling of more domestic wells.

In our opinion, it is in the best interest of our nation to maximize domestic well drilling. Leading economists estimate it will take $1.6 trillion of investment to drill the wells necessary to maintain our current petroleum productivity and provide additional supply to cover a two percent annual increase in petroleum demand throughout the next decade. Without this level of effort, our reliance on expensive, insecure foreign oil will increase and not decrease in the years ahead. There is no other answer, since even the most optimistic estimates of synthetic or alternate fuel development do not begin to cover the problem during the next ten or fifteen years.

We cannot do the drilling job needed with measures such as the Crude Oil Windfall Profits Tax of 1980. This tax, in Texas alone, will withdraw from the oil industry at least $65 billions during the 1980's. Should these funds be available to the producing industry to spend in drilling wells at an average cost of $200,000, there could be an additional 325,000 wells drilled in this State. This would mean current drilling rates would be almost tripled in the years ahead, which is the kind of effort needed to meet the nation's energy objectives.

Speaking of independent producers, I can assure members of this Subcommittee that such tax funds left in their hands would indeed be spent in exploration. Since 1973, data shows that independents average 105 percent of their wellhead revenues in exploration and development. If that figure sounds impossible, one must keep in mind that most producers borrow heavily against the future to expand operations through drilling activity.

As for royalty owners, it is not generally understood that they are an integral part of the exploration process. Without their reasonable participation in the leasing of acreage necessary for exploratory drilling, there would be no new wells drilled. In those countries which do not have private ownership of land, development of petroleum reserves is a very slow and torturous process. In our own nation, huge portions of public lands overlying promising oil provinces have been closed to petroleum development. Other areas are leased very slowly, tied with unrealistic regulatory requirements initiated by misguided environmenta ists. Should the entire country be subjected to Federal land leasing policy, o oil import requirements would already be unmanageable.

There might be some doubtful merit to the oil excise tax if its proceeds wer in turn, spent on increasing energy supply in the United States. We say doubtf because it would be far more efficient and sensible to let the energy indust spend such amounts itself for new energy supply instead of routing the fun through Washington. Yet, not even this is the case. The nation's energy co sumers will soon learn, if they haven't already, that they are the ones payi the $227 billion tax bill with absolutely no assurance it will lead to more ener they so desperately need. In passing the tax act, Congress indicated a desi to spend only 15 percent of the proceeds for energy purposes; but not even th amount is definitely earmarked. Congress has the authority to spend the enti sum in any manner it wishes in the years ahead.

The oil excise tax, the largest of its kind passed in history, is a dangerou self-defeating measure which should never have been passed. It sets a seriou precedent that will irrevocably harm the nation's energy objective througho the remainder of this century. It severely dilutes the nation's ability to brid the vital gap between the petroleum energy era and the hoped for era of renew able fuels.

For these reasons, our Association has consistently opposed the excise ta as extremely poor energy policy. While there may be little hope in achievin its repeal, we remain confident that its devastating effect on domestic energ will encourage substantial reduction in the tax in the near future. As part that reduction, we renew our support for exemption for independent producer and royalty owners. In the main, they have no substantial source of livelihoo away from the petroleum wellhead. Thus, they need relief to assure that the will do their full part in achieving the nation's goal of maximized domestic energ production.

Thank you for this opportunity to be heard.

L. Frank Pitts

Senator **Bentsen**. Our next witness will be Mr. Jimmy Joe Ke

STATEMENT OF JIMMIE JOE KEY

Mr. **Key**. Senator Bentsen, Senator Boren, it's good to be here an I am happy to have this opportunity to speak before you. I have n written statement, but I appear before you as a farmer and rancher from west Texas. I live in a little town—it's actually a little communit by the name of Fluvanna.

I would like to tell you that my family has been in agriculture fo many generations. My father, at 76, is still an active rancher. I hav four brothers. They are all in farming. I am in farming myself farming and ranching. I have three boys and they are going to pursu careers in agriculture. My oldest son is a sophomore at State colleg in Alpine, studying agriculture.

So we have a great stake in farming and agriculture. We were fortunate many years ago to lease our land and oil production began o the land.

As any prudent businessman would do, because we are interested i improving our farming, we had reinvested the money that we receive from the oil lease in our farming operations to improve the equipment improve the land, improve life.

So with that thought, that's the way we proceeded. Now what ha happened over the years, because this is a royalty owned oil field, i has been in production since the early 1950's, especially in the last fe years, oil production has been declining. As a result, in the last 5 or years, oil production has dropped 50 percent of what it was 5 years ago

Now, as you all are aware, inflation is a factor that is hitting everyone, but especially the farmers and ranchers. Costs have escalated—the fuel cost for tractors have gone up as much as five times. An example, 6 years ago diesel fuel could be bought for probably 10 cents per gallon. Today it is nearly $1 a gallon. Cotton prices 5 years ago were more than they are today. A new tractor that would have cost $15,000 5 years ago would cost $40,000 today. So these are just some of the problems.

Because of the decline in production, our royalty checks have been cut and, now, right at this critical time, when we can use the income to survive, the windfall profit tax has come along.

In most cases, at least the ones that I have seen and in our own case, the tax takes about a third. So we are being penalized again.

I would like to mention these things: I have talked to representatives in Washington about this problem before, actually, before the windfall profit tax was passed. I have talked to members of the Senate Finance Committee. Some of those members on the committee and other Representatives did not even know who royalty owners were. I think most Senators and Representatives need to be educated. [Applause.]

So, I would like to ask this: I would like to ask for a hearing in Washington by the Senate Finance Committee and the House Ways and Means Committee so that those Senators and Representatives in Washington can be educated as to who the royalty owners are and the plight that they are in right now. Thank you. [Applause.]

Senator **Bentsen**. Let me say to you that there will be hearings in both Houses of Congress. The Ways and Means Committee of the House and the Finance Committee of the Senate will conduct those hearings.

Our next witness will be Mr. R. Ray Bell of Dallas, Tex.

STATEMENT OF R. RAY BELL

Mr. **Bell**. Senator Bentsen, Senator Boren, Representative Pickle, I want to present some facts regarding the effect of the Crude Oil Windfall Profit Tax Act of 1980 on a specific group of royalty owners.

The term "royalty owner" brings to our mind a farmer or a rancher. But, there are royalty owners that acquire their interest from the leasehold, not from the mineral rights. This type of royalty is usually acquired for cash or services which are then used in exploration programs.

The royalty owners that I introduce to you today are the 1,639 unit holders of Marine Petroleum Trust and the 1,127 unit holders of Tidelands Royalty Trust. A list of these people by the State they live in includes every State in the Union except Idaho. These folks could in no way be classified as "big oil" even though they own a royalty interest in leases on the Outer Continental Shelf.

Their royalty was established back in 1951 when a small group of independent scientists pioneered the development of a seismic recording technique to explore the oceans for oil and gas. They contributed their invention to an oil company in exchange for a royalty. Most of the present unit holders acquired their interest by laying out hard cash.

They did this for a number of reasons, including a hedge against inflation. Their investments were made long before the windfall profit tax was conceived.

It was evident in the early 1970's that oil was scarce, much in demand, and likely to increase in value. Inflation averaged 9 percent a year in the early 1970's and was later to increase to 10 percent. Where could you find a place to put funds for retirement and college for the kids? You certainly couldn't lend it and get a 10-percent return after taxes. Oil in the ground looked like a good investment.

Of course, we knew that there were price controls on oil, but Congress had told us that they were to be removed on October 1, 1981. So, we felt pretty safe. Then the rules were changed on us.

Along came the windfall profit tax taking 70 percent of any increase in the selling price of our royalty oil. This 70 percent tax is bad enough, but there is an indirect cost also. The tax has the potential of reducing our return on investment since it may cause early abandonment of a lease. In other words, some of the oil we bought may be left in the ground because of the tax.

Among our unit holders is a widow living in California. The royalty check we send her makes up a significant portion of her income. If it were not for the windfall profit tax, she would receive oil royalties of $152 per month, but the tax reduces that amount to $82. She could sure use the $70 that goes to the U.S. Treasury to pay her bills.

One of our unit holders plans to use his oil royalty check to send his kids to college. He was hoping that the royalty check would increase as fast as the cost of a college education. It probably would have except for the 70 percent that now goes to the U.S. Treasury.

One of our unit holders decided 2 years ago to start putting his royalty check back into oil exploration. He is now an independent operator. The windfall profit tax on his royalty income is going to take $365,000 out of his drilling funds every year.

Several proposals are before the committee. The various proposals will have different effects on our people. An exemption of 1,000 barrels a day will remove the tax on all of our unit holders, 10 barrels a day will eliminate the tax for 98 percent and a tax credit of $1,000 per year will eliminate the tax for 82 percent.

The industry is going to need a lot of money to keep 2,911 rigs running. Some of it may very well come from investors like the unit holders in Marine and Tidelands. We have seen a trend lately toward the use of the royalty trust to finance exploration programs. It attracts a type of investor that would not normally invest in a limited partnership. The royalty trust investment vehicle is a good source of exploration funds for the 1980's.

An exemption from the windfall profit tax will make this a very attractive fundraiser.

We need to help our retired people, investors, and our energy situation by eliminating or reducing the windfall profit tax on crude oil.

Gentlemen, this concludes my statement and I thank you. [Applause.]

Senator BENTSEN. Thank you.

Our next witness will be Mr. Edgar W. Monteith.

STATEMENT OF EDGAR W. MONTEITH

Mr. MONTEITH. Senators Bentsen, Boren, and Representative Pickle, I represent the Brown Foundation.

We wish, like other royalty owners, to appear before the committee. The Brown Foundation is itself a royalty owner but advocates and seeks modification of the windfall profit tax not only on the grounds entitling the usual royalty owner to relief but on additional grounds incident to its being a charitable foundation, thus making its position somewhat more compelling than that of the usual royalty owner.

In this regard, we raise for your consideration the following: This would entail charitable nonprofit organizations to relief. Under the act, educational institutions and medical facilities are exempt from the windfall profit tax.

On the other hand, in contrast to that, charitable foundations not dedicated exclusively to educational or medical causes are not accorded the exemption, even though they are in the same category. They are not accorded this exemption, notwithstanding that contributions made by them may be predominately for educational and medical purposes—educational and medical—which are otherwise accorded exemptions but they are not given the exemptions simply because they are a foundation and they are not devoted exclusively to that purpose. Case in point is the Brown Foundation, where, since its establishment in 1951, its total authorized grants has exceeded $150 million.

Of this some 73 percent in excess of $110 million have been devoted to educational and medical endeavors. At least to the degree of a foundation's giving to educational and medical entities that would otherwise be exempt from the tax, why should not the charitable foundation be accorded the same exemption?

In the same vein as the educational and the medical establishments argument—for another example the Windfall Profit Tax Act provides that oil produced by a church from property held on January 21, 1980, is exempt if at that time the income had been committed to support of educational or medical endeavors.

In contrast to this, in the case of our Brown Foundation, on that basis, it held oil and gas royalty interests together with other interests from the income of which it had a committed $32,568,000 to charitable educational and medical institutions.

To the degree that such commitments will be funded from oil and gas royalties, why should not the Brown Foundation be accorded the same exemption as a church under identical circumstances? It is clear that charitable foundations are the victims of discrimination in this regard.

Historically, we have known the concept of exemption from income taxes of the charitable foundation. We have likewise known the deduction for charitable contributions. With advent of the windfall profit tax we see for the first time violations of these concepts. The question arises: In enactment of the tax, did the Congress proceed on the ground that it knew best regarding expenditure of funds belonging to charitable foundations and that, accordingly, the decisionmaking power be taken from them and put into the Congress?

Is this not a governmental intrusion novel to our taxing system?

In the case of the Brown Foundation, the windfall profit tax will divert from meritorious charitable purposes 30 percent of its royalty income.

Senators Bentsen, Boren, and Representative Pickle, we sincerely appreciate the opportunity to appear before you and we strongly urge your favorable consideration of legislation to cure. [Applause.]

Senator BOREN. Thank you for your testimony, very much.

The testimony we took in Oklahoma which has been made part of the record, we took the example of a children's home which received a substantial number of contributions each year from foundations. These funds were primarily tied up in royalty income. I have been told by the superintendent of the children's home there that they are going to lose a very substantial part of their income each year just from the very effects of what you are talking about. This is another thing that has been so frustrating to us.

I mentioned a while ago, that a person who had a retirement plan, stocks and bonds, they have not been taxed. Certainly no charitable institution in any part of this country are having income taxed like this, children's homes, and it is an absolute outrage and I want to tell you that your testimony has been very, very helpful and we will be entering additional information like it in the record. We want to make an effort to get this corrected. We thank you very much for your testimony.

Senator BENTSEN. Senator Boren and I worked for an exemption that would cover children's homes during the debate of this tax. We thought we had that situation taken care of. However, we ran into opposition in the conference committee from a northern Congressman and Senators from the Midwest, who said that we were giving an advantage to charitable institutions in producing States.

Congressman PICKLE. The amendment was originally for charitable institutions and educational institutions to be exempt. We were able to hold it in conference. You've got a good case here. It ought to be extended.

The problem is there are only about 10 or 12 producing States. There are about 35 or 40 nonproducing States. That is difficulty. I thought we did good to get that much. We ought to go further and I hope we can later.

Senator BENTSEN. Let me make a point. The lady who testified earlier, said that this fight is not going far enough. She's absolutely right.

What we are talking about is a fight between producing States and nonproducing States.

Frankly, there are a lot more nonproducing States than there are producing States. It is a tough fight to make them understand what this means to the overall energy concerns of this country.

But I think this kind of hearing and this kind of response will be very helpful. The information that we are getting here, the personal cases and how it affects those individuals will be terribly important for us.

Senator BOREN. Let me add something to what Senator Bentsen said and let me give you an example of how the testimony has been so helpful.

We did have testimony earlier in Oklahoma City, and particularly, Kansas. This is the third of the hearings being held.

During the discussions, for example, the $1,000 refund of this year, we had some pretty insensitive things said. I don't know which of the committee members said them. I said something about the small royalty owners. I said something about the farmers and ranchers that are already broke and now here we are hitting them again against something that is enabling them to stay in agriculture. [Applause.]

One of the members of the committee said, "Oh, now we are hearing the story of the poor little royalty owner," as if he didn't believe any such person existed.

I pulled out a statement that was entered in the record in Oklahoma City, from a widow who is 81 years old. She set out the fact that her social security, I believe it was less than $160 per month and her only other source of income was an $80 royalty check that had been cut down to $44.

I just looked across the table at him and I said, "Now, do you really think that you can justify," and I said, "This is not a fictitious person. Here's her name, address, here's her letter, I'm going to enter it into the record for this committee. Can you really justify that kind of a tax that has been levied on that kind of individual?" And the Senator did not make any objection. Then after that one we passed the amendment.

I think these hearings are helpful and I think each and every one of you want to know that not only the testimony is reviewed, but the statement that you are entering into the record helps us explain that the royalty does not refer to the income that some of our colleagues think it is.

I do want you to leave here today knowing that your presence is important and it does help make an impression. Direct testimony was taken orally and is entered into the record and it really does help give us an idea and we appreciate it very much.

Senator **Bentsen**. Our next witness will be Mr. James Powell. Texas and Southwestern Cattle Raisers Association.

TESTIMONY OF JAMES POWELL

Mr. **Powell**. Senator Bentsen, Senator Boren, Congressman Pickle, I am a concerned rancher and a royalty owner and I speak on behalf of the Texas and Southwestern Cattle Raisers Association and its many members.

Our organizations are opposed to the philosophy of the so-called windfall profit tax and strongly support the proposed amendments that provide relief for royalty owners from this tax.

The recent transition of our modern free enterprise system to mass government by continuous plebiscite, with its overwhelming emphasis on income and wealth redistribution and special programs to serve the interest of particular groups, has led to a sharp erosion, if not a breakdown, of liberal democracy.

A democracy which emphasizes the freedom and responsibility of the individual, a necessary condition for the survival of a productive and competitive capitalism. [Applause.]

Each new social program suggested is generally a flagrant appeal to the desires of the masses for instant gratification regardless of the longrun cost to society. The net impact has been a continuous deterioration of production and supply capability in the economy, while demands on the economy for goods and services have continued to rise.

The gap has been progressively filled by greatly rising budget deficits and printing press money, the residual source of finance for bankrupt governments.

The windfall profit tax is only one program in an endless parade of social reform and transfer of payments programs proposed and passed in the last several sessions of Congress.

The name, windfall profit tax, is a misnomer in that the tax is actually on production, not on oil profits. As stated in the resolution adopted by the board of directors, the law requires the taxation of natural resources produced from the land.

This fact is especially disturbing to livestock producers because the foundation of their production is also rooted in the land.

The enactment of the tax sets a dangerous precedence from two standpoints. First, levying a tax on production from the land sets the stage for applying the same principle to the entire spectrum of food and fiber production. [Applause.]

Second, the tax advances the concept that whenever an industry is successful in generating revenue, that industry is "open game" for confiscatory taxation on its production. [Applause.]

The ramification of this concept can encompass not only production and revenue in agriculture, but also, literally, every business and industry throughout the entire economy. The resulting erosion of capital formation from the expansion of this concept would be, and is devastating to agriculture, business and industry, labor and the consuming public.

The present law imposes a whopping 30 percent tax on all new oil production. As previously stated, although the word "profits" is included in the literal name of tax law, it's actually an excise tax on production, not a tax on oil profits.

It naturally follows, then, that imposition of the tax will discourage the exploration and development of domestic oil reserves. Such a result is counterproductive and contrary to the stated goals for the Nation of moving in the direction of energy self-sufficiency.

The tax, in addition to greatly reducing the economic incentive to explore, also substantially cuts back on the capital available for new oil exploration. It has been estimated that the resulting loss in new production will be somewhere in the neighborhood of 1.5 million barrels per day by 1990.

The reluctance of landowners to enter into new leases in face of the recent windfall profit tax will also have a negative impact on domestic production.

The manner in which the tax is structured is discriminatory and places an unreasonable burden on landowners and other small royalty owners. Under present law, the approximately 2 million small royalty owners are treated the same—taxed at the same rate—as the large, multinational oil companies. Many of these small royalty owners are working ranchers and farmers who depend on modest royalty checks to supplement their depressed farm and ranch income. [Applause.]

Mr. Powell. Hopefully, these individuals, along with retired persons and others in similar financial circumstances, were not the intended target of the windfall profit tax when it was first proposed.

Certainly there can be no justification for taxing working ranchers and farmers and retired persons in this manner, let alone taxing them at the same rates as multinational oil companies and at rates higher than independent oil producers.

These two helpful proposals, which you, Senator Bentsen and Senator Boren have proposed, Senate bill 2521 and Senate bill 2533 are very helpful. We appreciate it very much.

In conclusion, the Texas and Southwestern Cattle Raisers Association strongly favors amendments to the present windfall profit tax law which will provide adequate and justified relief to landowners and other royalty owners in the State. Thank you.

Senator BENTSEN. Thank you. [Applause.]

Senator BOREN. I would like this statement to be reflected in the record, that we found at our other hearings there was a very large proportion of those people that had been hit by the tax were either farmers or ranchers or retired persons.

I wondered if those in the audience who are in agriculture, farmers and ranchers, who are retired, living on retirement income, I wonder if they would stand so that we could determine all those that are affected in this manner.

[Attendants stood in the audience.]

Senator BOREN. As you can see, Mr. Chairman, it was 80 or 90 percent of the audience included in that category. I hope that would also help our colleagues understand the nature of the people that they have imposed the tax on.

Senator BENTSEN. I hope the media here saw what happened. That should give them some idea of what we are talking about, and who is being affected by this.

Our next witness will be Mr. W. Prentis Bass, from Snyder, Tex.

STATEMENT OF W. PRENTIS BASS

Mr. BASS. Senator Bentsen, Senator Boren, and Representative Pickle, the windfall profit tax is stealing. [Applause.]

When OPEC suddenly raised their crude oil price, our Government leaders went into a tailspin. Under the guise of protecting the public, they slapped a price control on our oil. They said, "If we don't control our crude oil price, we're afraid it might raise the price of gasoline at the pump by as much as 5 cents per gallon." Wouldn't that be rough? How many 5-cents-per-gallon raises have we had at the pump since then? How many times has OPEC raised their prices and we're still under control?

Decontrol is the only way we can expect to increase our production to a point where we don't need OPEC. [Applause.]

We don't need OPEC. Why don't our leaders know this? It looked for awhile like we might lose as much as 15 percent of our production—the stripper wells. Decontrol is the only thing that saved that production. That may not last because they're taking the money away from us. They're taking twice as much from the royalty owner, who has one-eighth, than they are the producer who has seven-eighths.

Then they had a dream; a nightmare. Our President and Government leaders dreamed up what they called windfall profit tax. Their target was the big oil companies, but they nearly missed the oil companies and the full force of the charge hit the poor locked-in royalty owner, and his little one-eighth.

As for you and me, the forgotten man, the landowner, the royalty owner, they ignored the fact that 100 percent of our minerals turned out to be only a one-eighth part when we leased for oil. but, that one-eighth part furnished 100 percent of the land for well sites. We furnished land for tank batteries, slush pits, pipelines, and electric lines. Then, we furnished land for rights-of-way, to crisscross our property with caliche roads. No amount of lease or damage money received could replace the crop and cattle production lost for all time to come.

We have been ignored. I tell you our government leaders ignored us when they said oil is a windfall, then pro rata they strapped 14 times more tax on the royalty owner than they did the oil company. They said we didn't deserve it. They did not ignore us though when they began to look around for a new source of revenue, to finance more big Government, the Energy Department, and their bad dream of a windfall excise tax.

There are about 1½ million royalty owners in this Nation. We represent only two-thirds of 1 percent of the total population; two-thirds of 1 percent. We are probably the smallest minority in the United States of America. Yet, financially, we are being discriminated against more than any minority.

Of the total $227 billion windfall profit bill, the royalty owner will pay approximately $30 billion; if divided equally, each would pay $2,000 per year.

That's not the way it is. Seven percent of those people don't get as much as $50 per month. Eleven percent get less than $100 per month and another 11 percent get only about $2,000 per year. They will all pay some windfall tax, but they can't pay their share. This leaves only one-half of 1 percent of the total U.S. population to pay almost the total $30 billion bill.

Jokingly I have told my children that the only thing they will inherit will be debts and taxes. Windfall profit tax is making that a reality. Most of my royalty interests are stripper wells and they produce about 3½ barrels per day. Let me show you what great windfall profits I get.

Most Congressmen probably don't realize that most one-eighth royalty interests are divided among several families. In my case, I have one-tenth of one-eighth on some and one-fifteenth of one-eighth on another section.

It averages out that I get one one-hundred-ninth of the total oil produced which means that from each 42-gallon barrel of oil produced, I get only 3 pints. Think of that—3 pints from each barrel. Some of my cousins get only 1 pint. There's more in their family.

What happens to my 3 pints? One, windfall profit tax takes 1 pint; two, State excise tax takes 4.9 percent also off the top; three, I'm already paying double property taxes because I pay county, State, and school tax on the surface and then pay county, State, and school tax on the minerals under the surface.

Those taxes tripled this year. They doubled last year. Four, I will pay more at the pump, including 9-cent-per-gallon tax, like all Texas citizens. Five, IRS will take a big slice of whatever remains of my 2 pints, so when I get through paying taxes, I have less than 1 pint left from a 42-gallon barrel.

Now, that is about one dime. Think of that—from each barrel of stripper oil the price of which sold for $36.28, after taxes, I have only one thin dime.

Windfall profit tax nets 180 times more than I do from a barrel of oil because they will take $12 from the royalty owners and $6 per barrel from the producer and I'll never see any of that money. I'll just sit there with my little thin dime.

But wait, Uncle Sam isn't through with my dime yet. More than 50 percent of the royalty owners are over 65 years old, so another big slice will go for inheritance taxes provided there's anything left by then.

When I take my windfall dimes to the service station to buy just 1 gallon of gas, I have to spend the revenue from 13 barrels of oil and if I fill my tank, it takes 325 barrels of our total production. At that rate it costs $31.44 per mile for gasoline for me to drive my car.

I didn't come to Austin to tell you a personalized bedtime story. I came to shout about the inequities which have been placed on the royalty owner, the landowner. We are all getting ripped off. Royalty owners got almost nothing during the 1950's and 1960's when the wells were allowed to produce only 8 days per month. You didn't hear anything then from non-oil-producing States about windfall profits and who deserved what.

They flat did not care if oil producers and drilling contractors went bankrupt by the thousands. Maybe we should have a Texas tea party; Boston got away with it. You can just kiss our revered American way of life goodbye. Because next, they'll be taking 65 percent to 70 percent of any profits on cotton crops, beef sales, manufacturing, peanuts, and all other businesses.

And that home you're living in, which cost $20,000 when you bought it and now inflation has escalated the valuation to $60,000, watch out when you sell it. There's likely to be some windfall profit tax there.

Even now the Treasury Department is pushing Congress hard to pass a law which would take 15 percent of the earned interest on your savings, to send directly to Washington. You'll never see any of that 15 percent of your money. Neither will you make interest on your earned interest. They'll probably call that windfall interest tax. Are you going to let that happen?

Don't forget, all you people who got that money out from under your mattress, or that fruit jar buried in the backyard, you put that money in those high interest money market certificates. They know where that money is now, they even have your name.

Let's stop all this unfair business. Much of which is caused by States or insensitive people who don't have oil. They have other products which we don't have. Let's try to act like Americans again. Let's dissolve the windfall profit tax. Let's dissolve the Energy Department. We never had it before, and we don't need it now. [Applause.]

Let's stop letting OPEC run our lives. Let supply and demand adjust our price as it has always done, then our 40-cent dollar will be worth more again. [Applause.]

Senator BENTSEN. Thank you very much, Mr. Bass.

Our next witness is Mr. Clarence Williamson who is the next speaker.

STATEMENT OF J. CLARENCE WILLIAMSON

Mr. WILLIAMSON. I am a small royalty owner and the greater part of my living comes from oil. And the windfall profit tax is taking enough of it so that my standard of living is below what it should be.

I have had this oil on my farm a long time. The production is going down, and the royalty income. When the excise tax comes out of the royalty income, I'm having a hard time living. Social security isn't enough. I have a very small income.

We have had enough damage to our farm from the oil equipment, that it's hardly worth farming in some places. [Applause.]

Mr. WILLIAMSON. I thank you all. [Applause.]

Senator BENTSEN. We are appreciative of your comments. Thank you very much, Mr. Williamson.

I know something about farming, having been born and reared on one. I can't help but remember that story about two farmers. Someone asked them, "What would you do if you had somebody leave you each $1 million?"

The first one said, "Well, I guess I would pay off the mortgage on the farm. I would try to take care of the kids' education and then maybe I would take a trip around the world that my wife and I have always dreamed about. We would put the rest in the savings account."

He asked the second one, "What would you do with $1 million?" He said, "Well, I guess I would just keep on farming until I had lost it all." [Laughter.]

Senator BENTSEN. Our next witness will be Mr. Joe B. McShane, president of the National Stripper Well Association.

STATEMENT OF JOE B. McSHANE

Mr. McSHANE. Chairman Bentsen, Senator Boren, Congressman Pickle, I am Joe B. McShane, Jr. I am a petroleum engineer residing in Monahans, Tex. My principal activity is the production of crude oil from stripper wells. Additionally, I am president of the National Stripper Well Association.

I am very pleased to have the opportunity to review with your committee and in this forum of royalty owners the position of the National Stripper Well Association regarding the windfall profit tax.

Senators, as you may recall, before the tax was enacted, we presented to the Senate Finance Committee on July 19, 1979, a statement in opposition to the tax bill as proposed at that time and suggested that if the bill were enacted, stripper oil production should be exempt from this new additional tax.

Senator, we appreciate the work that you did in handling that exemption as it came out of the Finance Committee. The National Stripper Well Association still opposes the entire windfall profit tax. [Applause.]

We oppose it on the basis that it is bad for the domestic producing industry and royalty owners, bad for consumers, and bad for the

Nation. It is bad because the tax will take billions of dollars out of the petroleum production industry. The tax will cause a slowdown in domestic efforts to increase petroleum energy supplies. The tax reduces income, both present and future, to royalty owners as well as operators, because barrels of crude oil will not be found and produced and because wells will be plugged and abandoned and crude oil reserves left in the ground forever. Due to the fact that crude oil reserves will be left in the ground, this tax promotes waste of vital energy resources and works against the conservation of our natural resources. [Applause.]

The National Stripper Well Association has actively supported the proposal to exempt the first 1,000 barrels per day of production by independent operators, because published facts make it clear that income to the independent producer is reinvested in drilling and production. As we all know, royalty owners, as well as independent producers have no access and I repeat we have no access, to the downstream income generated from the transportation, refining and retailing of crude oil and crude oil products like gasoline, home heating oil and plastic materials.

Therefore, the loss of income due to this tax will restrict the ability of these operators to reinvest and find and produce additional crude oil supplies.

Since Congress moved to control crude oil prices in 1973, four items of legislation have been enacted that exempted stripper well production from price controls.

These congressional acts are the Trans-Alaskan Pipe Line Authority Act and the Emergency Petroleum Allocation Act of November 1973. The Energy Policy Conservation Act of 1975 and most recently, the Energy Conservation and Production Act of October 1976.

As you gentlemen are well aware, this legislation permitted stripper oil, that is, crude oil produced from wells that average less than 10 barrels per day of production, to be marketed at the then world crude price and the income from that oil to accrue to the operators and royalty owners who have invested in it and who are the in-the-ground owners of this depleting asset.

The windfall profit tax now placed on stripper oil production reverses this 6-year history of legislation and, in effect, again places stripper oil under price controls.

This earlier legislation, providing that "once a stripper, always a stripper," was congressional assurance needed by royalty owners and operators of stripper production that we could plan on and would receive world market prices for stripper production, even though other crude oil might still be under price controls. All of us that sold stripper oil this year, whether we be royalty owner or stripper well operator, know that the income that we received from stripper production after tax has been rolled back by the enforcement of the windfall profit tax. [Applause.]

Senator, if I may, I will cut my remarks very short. I have some statistics that I would like to place in—before this forum.

Senator Bentsen. We'd be happy to have them.

Mr. McShane. Let us look at what the free market price has provided in the way of incentives to save stripper wells and vital domestic crude oil reserves.

With the free market price for stripper oil, we have seen the plugging and abandonments drop from 45,660 wells for the 3-year period 1971 to 1973, down to 27,296 wells for the most recent 3-year period.

Some 28,767 wells that have not been plugged since 1973 produced approximately 30 million barrels of crude oil last year that would have been lost had price controls remained.

These 30 million barrels of domestic crude oil saved by stripper production last year prevented almost $1 billion from being spent overseas for foreign imports. [Applause.]

Understanding the mathematical computations required to calculate the dollar amount of the tax is a problem in itself. Under the 90 percent net income limitation rule, the windfall profit cannot exceed 90 percent of the net income from that barrel according to the Internal Revenue Service determination of net income under special rules and definitions.

As operation costs increase, the windfall profit tax paid on each barrel can be less than the full amount. However, a stripper well operator may operate a property at a loss for an entire year and still be required to pay windfall profit tax monthly.

It should be clear to all that if we are going to solve our energy problem, we must produce our way out of it. We aren't going to increase supply by taxation or regulation. We can only increase them by finding additional supplies and by recovering every drop possible from the discoveries already made.

We appreciate the opportunity you have given us to state our case. We ask, please call on us if we can be of additional help. Thank you, all of you.

Senator **Boren**. Before you leave, let me ask you a question so that it is reflected in the record. One of the problems we have with our colleagues is that they do not understand that even with the so-called decontrol, that there are still many royalty owners and many producers because they are stripper producers, that are going to be receiving a real rollback and significantly lower check than they were using the argument that oil prices are going up and taxed at 70 percent. People are still going to be getting more. You clearly pointed out that the stripper producer has suffered an actual rollback and also the royalty owner in stripper production.

Isn't it true that under the tax, that it amounts to a reduction of income—going back to the time before the present statute, something within the area of $6 and $12 a barrel at the current time. The actual reduction of the income of the royalty owner and the producer on the stripper wells, somewhere in that range.

Mr. **McShane**. You are exactly correct. If I may, I have another piece of statistic that I would provide. Even though the sale price of stripper oil may be $38 per barrel after payment of windfall profit tax, the owners of the oil receive only $24 to $31 a barrel, which is a rollback of $7 to $14 per barrel. No wonder the stripper oil income is down between 18.5 and 37 percent.

Senator **Boren**. I think your point is a very good one and I wanted to get that into the record and also I appreciate your figures on abandonments because it makes it clear the stripper exemption proved itself in terms of preserving and production of more oil for the companies in vast amounts as you've indicated.

It makes it clear that by knocking out the stripper exemption that the whole purpose of this bill is not to increase more energy for the American people but more tax for the Government. I think you've made that point very well. I appreciate it.

Mr. McSHANE. Thank you, Senator Boren.

Senator BENTSEN. You researched this thing well and you have given us hard numbers. Those numbers will be very helpful in the arguments that we will have with some of the members of the nonproducing States.

Mr. McSHANE. Please call on the Stripper Well Association. May I add, Senator Boren, that Oklahoma produced 2 million barrels more of stripper oil in 1979 than they did in 1978.

Senator Bentsen, I'm sure you would like to know that in 1979 Texas produced 142 million barrels of stripper oil, which was 11 million barrels more than the previous year.

Senator BENTSEN. Our next witness will be Dennis B. Hill.

STATEMENT OF DENNIS B. HILL

Mr. HILL. Mr. Chairman, some of the testimony that you have heard today has come from organizations, some have represented individuals and I am here to represent an individual. I would like to read to you a short letter from my father who is a small royalty owner. He was not able to make the trip to come here today representing himself.

This letter was written to Congressman Bill Archer, about the windfall profit tax. And the letter reads:

> Dear Congressman Archer. It was nice to get your 1980 congressional questionnaire, but you left out one important thing. You didn't ask how I liked the "hate tax bill," otherwise called the windfall profit tax.
>
> This was the biggest step toward nationalization of the U.S. assets attempted in our lifetime. No doubt this bill was designed to punish the big oil companies, but it missed its target by about $227 billion and hit the small royalty owners right in the guts.
>
> The royalty owners have no way to pass the tax on to anyone else and will pay a larger part of the big oil companies' windfall profit tax at the gasoline pump. These small royalty owners have done nothing to deserve this and they are really hurt.
>
> I am an annuitant, 80 years old, and have a small royalty income, or rather, had one. I was paying eight different taxes on this royalty interest before the windfall tax went into effect. I retired on the strength of having this royalty to help out with my retirement pay and my social security.
>
> Now I may have to go back to work at the age of 80. The money which I need for a decent retirement will go to pay the energy bills of some minority who will, in turn, vote to elect a President who I wouldn't care for. I will be getting absolutely nothing in return for my tax money and I think I would rather have a thug take it at gunpoint.
>
> At least it would not happen month after month. I just can't see how a group of men, in their right mind, and in the U.S. Congress, and who are supposed to work for the citizens of the country, can vote for a bill of this magnitude without even reading the bill.
>
> Now, I am not blaming you for I am sure that since you are a Texan and represent the people of an oil-producing State, you did not vote for the bill. But maybe you can be instrumental in introducing an amendment to the windfall tax bill and take the load off of the small royalty owners.
>
> This law is a horrible miscarriage of justice, in fact, it stinks. Let's all try to rescue the windfall tax hostages in this country. This is a serious situation.
>
> Yours very truly, E. Bruce Hill.

[Applause.]

Senator BENTSEN. Thank you, very much sir. Thank you for readi that letter from your father. It is most expressive. I'm sure that y meant to say that he was willing but not able.

Our next witness is Mr. Joe Mavberry, who is substituting for M Glenn Butler and Mr. Mayberry is from Dallas, Tex.

STATEMENT OF JOE MAYBERRY

Mr. MAYBERRY. Glenn Butler was terribly disappointed that couldn't be here today. And I am going to read a few excerpts from prepared statement that you have copies of, for the record.

Royalty owners own property and in this case, oil. They have control over the price that they will be paid for this property. Th have no control over the amount of oil produced per day or per mon They don't even have access to information regarding the futu amount of estimated oil to be produced from a lease.

In fact, the royalty owner is just not in the oil business. He is selli his asset. I think, all of us royalty owners, feel like we are selling too cheaply.

Then, on the matter of the stripper wells, Mr. Butler thinks that and I agree and I'm sure that you do—the stripper wells can produ a lot of oil, given an incentive, a price incentive.

The producers are going to lose that incentive to work hard. In fa if it's not—if they're not made on the original profit, they are just going to produce strip well oil.

And last, Mr. Butler would call to your attention the seconda fields merely ought to be exempt from the windfall profit tax. We ho that some day we can see that.

Thank you very much.

[Applause.]

[The prepared statement of Mr. H. Glenn Butler follows:]

OUTLINE

1. "Windfall Profits Tax" is an excise tax.
2. Profit is no dirty word.
3. Oil is property—the same as gravel, timber, etc.
4. Royalty owners are really not in the oil business—it sells property.
5. Small royalty owners are taxed at the same rate as big royalty owne This is unreasonable.

TESTIMONY OF H. GLENN BUTLER, ROYALTY OWNER

The Windfall Profits Tax is in fact an excise tax.

This tax will be passed on to the consumer by the pipeline company, the ref eries and ultimately, by the service stations.

The royalty owner cannot do this because this tax is collected at the wellhe This causes a cut in income. This is not taxation but is more like confiscati of property.

I think that this law violates our rights set forth in the Constitution.

Royalty owners have been dismissed politically by a large segment of Congre

There are about 2 million of us in the country, and we are upset. I know th I speak for all royalty owners.

Royalty owners own property—in this case, oil.

They have no control over the price that they will be paid for this property.

They have no control over the amount of oil produced per day or per mon

They don't even have access to information regarding the future amount estimated oil to be produced from a lease.

In fact, the royalty owner is not in the oil business.

He is selling his asset.

A lady in Marshall, Texas, asked a friend of mine who works for a bank there—"Why is my royalty check only $69 instead of the usual $100?" It is the Windfall Profit Tax!

We live in a free enterprise environment, so profit should not be a dirty word.

I would like to remind you that every product that we buy gets more expensive each month.

Why not a "Windfall Profits Tax" on merchants—manufacturers—and other business people.

Hasn't your house gone up in value?

If you paid $30,000 for it ten years ago, you could sell it for $90,000 today.

Why isn't this a windfall profit?

Royalty owners are not an organized group, so they had no clout with Congress. As a result, they were assessed the maximum tax of 70 percent.

Many small royalty owners have very little income from other sources—such as small farming with which to raise their families and provide for old age—otherwise, they could wind up on the welfare rolls.

Most people have no idea how many gallons are in a barrel of oil. There are 42 gallons.

At the base price of $12.81 per barrel, as allowed by the Windfall Profits Tax law . . .

This is about 30¢ per gallon. This is about as cheap as water.

This tax applies the same for small royalty owners as it does for very large ones. This is not fair!

There should be a reasonable exemption for the royalty owner. Maybe 100 to 200 barrels per day.

Oil is a depleting asset. Once it is gone, it cannot be replaced.

All royalty owners know only too well that the amount of their monthly checks get smaller each year due to the loss of pressure and water encroachment on their leases.

Very few oil wells will produce at a high volume for more than 5 years.

Then comes stripper production which means less than 10 barrels per well per day.

The stripper well can produce a lot of oil given enough incentive . . . price. They are also being taxed unfairly and will lose their incentive to work so hard on these marginal wells if the tax is not lowered for this kind of production.

I also think that all secondary recovery fields should be exempted from any "Windfall Profits Tax".

In closing, please be reminded that even though the royalty owners usually get 12½ percent of the oil . . . seldom does one individual get all of this.

Over the years, mineral interests have been sold in fractions when money was needed for the farmer to survive financially.

These interests are widely held.

I don't think that the "Windfall Profits Tax" is fair to anybody.

The consumer will do the paying and the H.E.W. will find a place to throw it away.

Thank you.

[From the Dallas Morning News, July 11, 1980]

"WARPATH WIDOWS" INTENSIFY FIGHT AGAINST OIL TAX

(By Joe Simnacher)

The money for President Carter's "windfall profits" tax comes exclusively out of the fat corporate hides of the big oil companies. Right?

Wrong. Small royalty owners are being taxed right along with the giants, putting the squeeze on widows and orphans.

But the small royalty owners are not about to give up without a fight. As a result, Dallas has spawned a national backlash.

Miriam Christian Fightmaster of Dallas said this week many royalty owners did not join her year-old opposition to the oil tax until this past March, when royalty checks totaled considerably smaller than usual after the new federal tax had been deducted.

She said the tax took a $108.61 bite out of the $317.42 royalty check she shares with her two sisters. And the three sisters still have to pay tax to Uncle Sam on the income they still get.

Mrs. Fightmaster is one of Gwynne Greer Gazzaway's "widows on the warpath," a group that helped form the 1,400-member National Association of Royalty Owners. The women said they started opposing Carter's tax last June, when they first got wind of the president's proposal.

The little group gathered strength when one royalty owner started calling another. As contributions rolled in, the Gwynne Gazzaway Energy Trust was formed to help fund the fight against the tax.

Then, last August, The Dallas Morning News reported the growing resistance by "little oil." The story was headlined "Widows tread well-oiled warpath," and the group soon became known as "widows on the warpath."

The situation has had its light moments, with a handful of Dallas-area women taking on the federal government. But it also has had its serious and sad side.

The Wall Street Journal recently said thousands of widows, retirees and others on fixed incomes are being hurt by the windfall profits tax.

The Journal told of a 75-year-old railroad track foreman who is mowing lawns to recoup part of the $160 he now loses each month to the windfall tax.

And Mrs. Fightmaster said royalty owners cannot stop production on their land because they have signed the wells over to production companies. The royalty owners receive about ⅛th of each of the wells' production. That fraction, however, is sometimes divided up by as many as 100 royalty owners per well. Part of each owner's fraction then goes to state, local and federal taxes, including the windfall profits tax, Mrs. Fightmaster said.

Texas' 167,504 producing oil wells have an average of four royalty owners each, Mrs. Gazzaway said.

The "widows on the warpath" have now grown into the National Association of Royalty Owners, headed by James Stafford. (Mrs. Fightmaster and Mrs. Gazzaway are on the association's board of governors.)

Stafford told *The News* Wednesday the association has uncovered a few interesting statistics in its 2-week existence.

Most royalty owners, he said, are near or at retirement age and dependent on royalty income. And about 80 percent of the checks are for less than $200.

Only a handful, about 2 percent, of the checks are large enough to support an individual above a comfortable standard of living, Stafford said. Most big checks go to people who are actually in the oil business.

"You can find someone who absolutely depends on royalty payments in every nursing home in Oklahoma," Stafford told the *Journal.*

In late May, Sen. Robert Dole, R-Kan., and Sen. David Boren, D-Okla., held hearings in Oklahoma City on a proposal for exempting from the windfall tax the first 10 barrels of oil produced each day from each well. A total of 4,000 royalty owners attended the hearings.

Mrs. Fightmaster is eagerly awaiting hearings to be held by Dole and Boren at the University of Texas in Austin next Thursday. She wants to tell the senators about her "obscene profits" from her small wells.

Senator **Bentsen**. Our next witness is Mr. C. P. Hamer, of Giddings, Tex.

STATEMENT OF C. P. HAMER

Mr. **Hamer**. Mr. Chairman, members of the committee, my name is Clint Hamer, from Giddings, Tex., and I appreciate the opportunity to speak to you. I appreciate the opportunity to speak here before you in Austin concerning the Federal Government's latest tax ripoff of its citizens. I say ripoff, because if you think a 3-cent profit out of every dollar is a windfall profit, then you ought to have your head examined. [Applause.]

Three cents, that's what I figured I receive out of every dollar that my two wells produce after taxes. Not just windfall profit tax, but remember, we have to pay income taxes on that well, county and State taxes and school taxes. If 3 percent is considered by our bureaucrats as a windfall profit, then don't tell them what regular savings accounts are paying today, because they will probably want to windfall profit tax them to death too.

Senator **Bentsen**. I want to get on the record, it was the Bentsen amendment that exempted the first $200 for individuals and $400 for couples of savings accounts from the income tax. [Applause.]

Seriously, I believe that this outrageous tax has dashed the dreams and hopes of many small royalty owners all over the county. We're not millionaires just because we own land that happened to have oil under it. We're still cattle folks trying to earn a decent living during this drought.

What royalty owners had planned as being a small income that they could use to finally buy and have some of the nicer things they always wanted, instead was taken away with this windfall profit tax. As it is, we are right back to where it is necessary to budget ourselves to get by in these inflationary times.

I'm one of the fortunate ones though, my 3 percent so-called windfall profit is based on one-eighth royalty—many landowners, like my neighbor, get only one-sixteenth royalty. By the time you take taxes out of that, you're basically just furnishing land and oil to support your Government welfare programs. [Applause.]

Another example of this unfair tax and what it can do to people is my sister-in-law. She lives by herself after the death of my brother-in-law on a small place out of Giddings. She has a one-sixteenth royalty interest on one low producing oil well. When she heard oil was to be deregulated, she got excited and had hopes of being able to finally afford to move into town so she wouldn't have to be alone; all by herself.

But thanks to the windfall profit tax, those hopes are just dreams being eaten away by inflation.

Mr. Bentsen, we are not a big oil company, so don't tax us like one. I imagine there are thousands of people across Texas with these same expenses.

My opinion of the windfall profit tax is that it is one of the biggest camouflaged ripoffs of the American people that has come out of Washington and I hope that you and Congress do something to correct this injustice. [Applause.]

Thank you.

Congressman **Pickle**. Mr. Chairman, I want to express my appreciation for this speaker for his remarks and for the leadership that he and others in the Lee County area have given in this meeting. I particularly singled out the Texas Independent Cattlemans Association. It's been very active and I know they send a note of appreciation. You have done a wonderful job. We hear you and we are going to do something if we can. I appreciate you and your good people coming forward on that.

Senator **Bentsen**. Our next witness is Mr. Bill Whitehead from Sonora. Mr. Whitehead?

STATEMENT OF BILL WHITEHEAD

Mr. **Whitehead**. Senator Bentsen, Senator Boren, and Representative Pickle, my name is Bill Whitehead. I am a landowner and royalty owner in Sutton, Val Verde, and Zapata Counties in southwest Texas.

I reside on my ranch in Val Verde County, and serve as second vice president of the Independent Cattlemans Association of Texas.

My family has lived in west Texas since 1881. That is the year my great grandfather moved from Gonzales County in south Texas to west Texas in search of wide open spaces and the opportunity to provide for his family in the best way possible. My great grandfather and his two sons began acquiring property, and through the years for five generations have ranched land between Sonora and Del Rio. It has not been easy. We worked hard for what we own, and we are always at the mercy of the weather, inflation, high prices, and Government regulations.

That is why I am here today to testify in favor of Senator Lloyd Bentsen's bill to exempt royalty owners from the windfall profit tax.

Our family owns royalty interest in our part of Texas, not because someone gave them to us, but because we worked hard to build our family holdings. Through private enterprises, ingenuity, and plain old American pride, we built a life for ourselves and our children.

I resent very much the Government deciding that my family must now be taxed on income that is rightfully ours, so the Government will have more money to impose more regulations to make our lives more miserable.

I urge you to do all that you can to see that Senator Bentsen's legislation exempting royalty owners from the windfall profit tax is passed. The act is another serious blow to American private enterprise and to the families in Texas, such as mine, who have struggled hard through the years so their decendants can have a livelihood.

Thank you for letting me speak to you today. [Applause.]

Senator **Bentsen**. Thank you, very much.

Our next witness will be Mrs. Jack B. Earp of Dallas, Tex.

Mrs. **Earp**. I am Wyatt Earp's mother-in-law; yes. [Laughter.]

STATEMENT OF MRS. JACK B. EARP

Mrs. **Earp**. Senator Bentsen and Senator Boren, we will give you additional copies of our statement because it contains a rundown of the ad valorem and all other taxes that will be paid on our small farm this year, including windfall profit. That will be $16,400 and some, school tax and county tax, and all of those taxes. So my husband will be giving you that.

Senator **Bentsen**. Thank you, very much.

Mrs. **Earp**. Our family farm was established by my father in Carson County, Tex. shortly after 1900.

In 1967, a venturesome young man became interested in leasing the farm to drill for oil—he formed a small independent company, and luckily found production. Many people participated, all working and paying their own expenses.

Some hauled water with their trucks, some did welding with their own equipment, one man furnished a worn out drilling rig. They all worked in exchange for a piece of the royalty, called working interest.

Some of these people had to wait over 10 years before they received their first paycheck. Due to Government regulations and price control there was no money left for them, as they had to pay their share of the operating expenses. In June of 1979, this field was classified as a stripper field—and for the first time it started showing a reasonable profit—and the working interest participants received their first pay.

In May 1980, the windfall profit tax was withheld, so there was very little left for the working interests.

The real disaster is that the relief given for the stripper field designation and depletion allowance is now wiped out by the windfall profit tax.

In 1977 our irrigation well went dry and we had to drill a new well, with a cost of 800 percent more than the old well. It was necessary for us to take out a 30-year mortgage on the farm to drill this new well. If this well replacement had been necessary after May 1980 it would have been more difficult to borrow the money because the windfall profit tax has greatly devalued the land and the minerals.

For 9 years—1971 through March of 1979—our royalty checks were used to pay for mother's nursing home bill, because she was paralyzed from a severe stroke and medicare does not pay.

The Federal Government is interested in companies plowing back profits, the farmers and ranchers qualify for this easily. Last year we made an unusually good crop of wheat but we did not make money because of the Russian grain embargo.

We lost most of our irrigated milo crop in 1979 due to a severe ice storm with high winds. Our 1980 wheat crop was one-half of the 1979 crop. The price has not recovered from the Russian grain embargo. With this hot weather, our milo and corn crops will be doubtful, in 1980.

We cannot cover these losses because the Government has taken our money, windfall profits.

Farmers and ranchers use their royalty payments to subsidize meat, food, and fiber production. This benefits the American consumer.

The Federal Government feels justified in withholding 60 percent of our royalty money each month, yet we do not receive a discount on farm machinery, fuel, fertilizer, and trucks which have increased as much as 1,000 percent or more.

An oversight in framing the so-called windfall profit tax pertains to school and county tax on royalty. These taxes are assessed on the gross, therefore the royalty owner will pay the Government's share of both taxes, in addition to the windfall withholding.

If this tax can be justified, then it is only logical that the Government would withhold 60 percent of every American's paycheck above minimum wage, so that we could all contribute our part to the windfall profit tax. [Applause.]

Senator BENTSEN. Thank you very much, Mrs. Earp. You have made some points that haven't been made today. We are very glad to have your contribution. Our next witness will be Mr. Bill McCormick, president of the West Texas Land and Royalty Owners Association.

Mr. McCormick, you brought your own crowd with you.

Mr. MCCORMICK. There is more.

STATEMENT OF BILL McCORMICK

Mr. MCCORMICK. Senators Bentsen and Boren, Congressman Pickle, my name is Billy McCormick. I am appearing on behalf of the West Taxas Land and Royalty Owners Association, of which I have the honor to serve as president. We very much appreciate having this opportunity to be here today and to express our views and recommendations on what is for royalty owners across the Nation, a pressing issue.

The West Texas Land and Royalty Owners Association is a voluntary nonprofit association representing approximately 6,000 royalty owner members. In addition we maintain contact with another 10,000 nondues paying royalty owners throughout the country.

Most association members receive small royalties, as little as $5 per month in some cases. A large proportion of the association's members are retirees who use their small royalty checks to supplement social security income.

Virtually all the royalty interests held by association members fall into two categories: One, royalties which derive from present or former land ownership, generally farmland, which has been leased to producers to allow oil exploration and/or production; and two, royalties which have been purchased by individuals for retirement planning purposes, comparable to investment in mutual funds or purchase of an annuity. It is the position of the West Texas Land and Royalty Owners Association that royalty owners are inappropriate subjects of the windfall profit tax. The Windfall Profit Tax Act of 1980 was designed and intended to "capture" the hundreds of billions of dollars of oil industry revenues which Congress and the administration expected would result from the decontrol of crude oil. We do not believe that Congress in passing the Windfall Profit Tax Act, understood the impact of the tax on royalty owners, who are not participants in the oil industry in any meaningful sense, and whose royalty incomes are, for the most part, quite modest.

Therefore, the association recommends the exclusion of royalty interests from the windfall profit tax. Until such time as Congress can adopt such a change, the association recommends adoption of a royalty income exemption, either, one, for royalties deriving from the first 1,000 barrels of oil per day, or two for royalties in an amount equal to an interest in 10 barrels of oil per day.

The association supports adoption of a $1,000 tax credit against windfall profit taxes only as a stopgap relief measure for the neediest royalty owners in 1980.

Adoption of a full or partial royalty interest exemption would correct two serious weaknesses in the Windfall Profit Tax Act as now written: One, it would eliminate the existing inequitable bias against royalty owners, who are inappropriate subjects of the windfall profit tax; two, it would provide a necessary incentive for landowning royalty owners to release unexplored property for new oil development.

Precise data on royalty owners and royalty interests is unavailable. However, from the association's surveys it has been established that most royalty owners fall into one of two categories; farmers or retirees.

Farmers and ranchers make up a large proportion of the estimated 700,000 to 2 million royalty owners in this country. If any oil is produced on their land, only a small fraction of the producer's return goes to compensate the farmer. Where royalty income has been received by farmers in oil-producing States, such income has helped to stabilize farming income, by providing some degree of insulation from the unpredictable forces of weather and the marketplace.

pages tightly bound

Royalties have also, in many cases, provided farmers with the revenue necessary to finance crops and needed upgrading of agricultural equipment.

Farmers who have allowed oil exploration on their farms have received a form of compensation which would not even be considered for inclusion under the windfall profit tax were it called rent.

Unfortunately their rents have been termed royalties and no further distinctions have been drawn between those farmers and the major oil companies. As a result, active and retired farmowners are being taxed as if they were major integrated oil companies.

In order to identify and profile royalty interests held by farmers, the West Texas Land and Royalty Owners Association undertook an analysis of royalty interests from the largest unitized field in the Nation, SACROC in west Texas.

The results are illuminating: The average farm size in SACROC is 140 acres. Mineral rights are owned by someone other than the farmer in only 3 percent of the farm property. Of those who receive royalties from SACROC, 78 percent receive less than $100 per month. Only 14 percent of those who receive royalties from SACROC receive between $100 and $500 per month. Only 8 percent of SACROC's royalty owners receive in excess of $500 per month.

Senator **Bentsen**. You said that those receiving $100 a month are what percent?

Mr. **McCormick**. Only 14 percent of those who receive royalties from SACROC receive $100 to $500 per month. Of those receiving royalties from SACROC, 78 percent receive less than $100 per month.

Senator **Bentsen**. That's what I thought you said.

Mr. **McCormick**. A second category of royalty owners consists of those hundreds of thousands of individuals who have purchased royalty interests to fund their retirement incomes.

As you know, Senators Bentsen and Boren, purchase of royalties is a common form of investment in oil-producing areas. Such investments are used in much the same way as mutual funds or annuities are used by those in non-oil-producing States to provide income security during the retirement years.

According to preliminary results of another survey recently undertaken by the West Texas Land and Royalty Owners Association, over half of all royalty owners in the southwest region of the United States are over 65 years of age, and more than 65 percent are over 60.

That's the reason that a lot of these people cannot be here, Senator Bentsen, because they are older, and many are ill. But I've had a lot of phone calls in the last few days about this hearing.

Such retirees have depended on their royalty checks to supplement frequently inadequate social security assistance. Retired people whose retirement income derives from oil royalties are no less affected by double-digit inflation than are other retirees.

Further, hundreds of letters received from elderly royalty owners have confirmed that, in a large number of cases, royalties are being received on a fewer number of barrels of oil per day. Depletion of oil reserves over the years has resulted in reduced production from their royalty properties. Price increases could, at best, help offset these declining production levels. Further, it is reported that many stripper wells in which retirees hold their interests, have been closed following imposition of the windfall profit tax. Such closures obviously result in cessation of all royalty payments from the affected wells.

In addition to the fundamental inequity of including royalty owners in the windfall profit tax, a further inequity should be mentioned. The windfall profit tax is an excise tax, not an income or profits tax. Excise taxes, although paid initially by a producer of goods, are intended to be borne by the ultimate purchaser. The tax, paid by the producer, is transmitted to the ultimate purchaser or consumer through the sale price of the goods.

Integrated oil companies are able to recover the windfall profit excise tax through their downstream operations. Thus, the impact of the tax is mitigated.

Unlike the oil companies, however, royalty owners have no downstream operations, and so are unable either to pass through the tax or otherwise to absorb it as a cost of doing business. Royalty owners whose royalties are taxed bear the full burden of the tax without mitigation.

Senators Bentsen and Boren, Mr. Pickle, the association's members would like to express their deep appreciation for the interest you and your colleagues on the Senate Finance Committee have shown regarding the inequitable taxation of royalty owners under that Windfall Profit Tax Act. We thank you for the opportunity to be here today and to present our views, and would welcome any questions you might have.

The West Texas Land and Royalty Owners Association would like the House Ways and Means Committee, Mr. Pickle, to hold some hearings. [Applause.]

Senator BENTSEN. That's what we're doing.

Mr. MCCORMICK. A lot of these people in my State are elderly people who cannot travel and can't go to expense to travel here today. We appreciate the effort that you have made.

Senator BENTSEN. Regarding the numbers that you gave us, I think that the numbers you have given us are of particular importance and will be helpful to us. I might say that these hearings have also been held in Kansas and they have been held in Oklahoma. Hopefully, we can have hearings in more of the oil-producing States.

Mr. MCCORMICK. Senator, I would like to add that we hope to have 100,000 royalty owners on our rolls in the near future.

Senator BENTSEN. There are 650,000 in Texas alone.

Mr. MCCORMICK. In west Texas we think there are over 100,000. That's a lot of people. That's a lot of people who have been affected.

Senator BENTSEN. I would also like you to, if you run across those in other States, whenever we can find some in the other States across the country, particularly in States that don't have oil production, that really helps us because we want to get them informed of the situation so they can contact some of the members in other parts of the country because there are a lot of them that think—well, they think we're just taxing your people. Were not attacking them at all.

I think we need to organize the royalty owners as much as we can get them organized. [Applause.]

Senator Bentsen. I'd like to say to everyone in this room that what Senator Boren has just stated to you is awfully important in getting the message across.

It's one thing for us to be sympathetic. Those of us who are representing oil-producing States know about the problem. But if we can get that Congressman or that Senator from Connecticut, Maine and many of those other States, that are not considered oil-producing States, to understand that they also have people who are royalty owners, or institutions, universities, or colleges that are dependent upon royalty income, then we can start to make a change in this inequitable law.

If you know royalty owners in those States and can get them to write their Congressman, it will really help us in our fight.

Mr. McCormick. Senator, you need to get you big mail sacks, because we are going to be there.

Congressman Pickle. I hope the Ways and Means Committee gets on the discussion of hearings. I've certainly recommended it and I think we insist on it.

Our problem is as Senator Bentsen said: On our committee from New York, from Chicago, from Cleveland, Los Angeles, and some of the other big cities, and Boston, they are just not mindful of the need to do away with decontrols. They understand that we need to have production and the best thing that can happen to you is just to stick it to the big oil companies. That is what they are thinking of.

Unidentified Speaker. Stick it to the politicians; 60 percent on everything over $10,000.

Congressman Pickle. Hearings like this will really help us. As I say, it is just not the big oil companies. You are hurting the little people who own the land. That was not intended and I think we can get their attention. These hearings are very helpful.

Mr. McCormick. Representative Pickle, we know you have done a lot. We look to you for a lot of leadership in this thing. We thank you.

[The prepared statement of Mr. McCormick follows:]

STATEMENT OF THE WEST TEXAS LAND AND ROYALTY OWNERS ASSOCIATION

Senators Bentsen and Boren, my name is Billy McCormick. I am appearing on behalf of the West Texas Land and Royalty Owners Association, of which I have the honor to serve as President. We very much appreciate having this opportunity to be here today and to express our views and recommendations on what is for royalty owners across the nation, a pressing issue.

The West Texas Land and Royalty Owners Association is a voluntary nonprofit association representing approximately 6,000 royalty owner members. In addition we maintain contact with another 10,000 non-dues paying royalty owners throughout the country.

Most Association members receive small royalties, as little as $5 per month in some cases. A large proportion of the Association's members are retirees who use their small royalty checks to supplement Social Security income. Virtually all the royalty interests held by Association members fall into two categories: (1) royalties which derive from present or former land ownership, generally farm land, which has been leased to producers to allow oil exploration and/or production; and (2) royalties which have been purchased by individuals for retirement planning purposes, comparable to investment in mutual funds or purchase of an annuity.

It is the position of the West Texas Land and Royalty Owners Association that royalty owners are inappropriate subjects of the windfall profit tax. The Windfall Profit Tax Act of 1980 (Pub. L. No. 96-223) was designed and intended to "capture" the hundreds of billions of dollars of oil industry revenues which Congress and the Administration expected would result from the decontrol of crude oil. We do not believe that Congress, in passing the Windfall Profit Tax Act, understood the impact of the tax on royalty owners, who are not participants in the oil industry in any meaningful sense, and whose royalty incomes are, for the most part, quite modest.

Therefore, the Association recommends the exclusion of royalty interests from the Windfall Profit Tax. Until such time as Congress can adopt such a change, the Association recommends adoption of a royalty income exemption, either for (1) royalties deriving from the first 1,000 barrels of oil per day, or (2) royalties in an amount equal to an interest in ten barrels of oil per day. The Association supports adoption of a $1,000 tax credit against windfall profit taxes only as a stopgap relief measure for the neediest royalty owners in 1980.

Adoption of a full or partial royalty interest exemption would correct two serious weaknesses in the Windfall Profit Tax Act as now written.

(1) It would eliminate the existing inequitable bias against royalty owners, who are inappropriate subjects of the windfall profit tax.

(2) It would provide a necessary incentive for land-owning royalty owners to release unexplored property for new oil development.

I. ROYALTY OWNERS ARE INAPPROPRIATE SUBJECTS OF THE WINDFALL PROFIT TAX ACT

Precise data on royalty owners and royalty interests is unavailable. However, from the Association's surveys it has been established that most royalty owners fall into one of two categories: farmers or retirees.

Farmers and ranchers make up a large proportion of the estimated 700,000 to 2 million royalty owners in this country. If any oil is produced on their land, only a small fraction of the producer's return goes to compensate the farmer. Where royalty income has been received by farmers in oil producing States, such income has helped to stabilize farming income, by providing some degree of insulation from the unpredictable forces of weather and the marketplace. Royalties have also, in many cases, provided farmers with the revenues necessary to finance crops and needed upgrading of agricultural equipment.

Farmers who have allowed oil exploration on their farms have received a form of compensation which would not even be considered for inclusion under the windfall profit tax were it called "rent." Unfortunately their rents have been termed "royalties," and no further distinctions have been drawn between those farmers and the major oil companies. As a result, active and retired farm owners are being taxed as if they were major integrated oil companies.

In order to identify and profile royalty interests held by farmers, the West Texas Land and Royalty Owners Association undertook an analysis of royalty interests from the largest unitized field in the nation, SACROC in West Texas. The results are illuminating:

The average farm size in SACROC is 140 acres.

Mineral rights are owned by someone other than the farmer in only 3 percent of the farm property.

78 percent of those who receive royalties from SACROC receive less than $100 per month.

Only 14 percent of those who receive royalties from SACROC receive between $100 and $500 per month.

Only 8 percent of SACROC's royalty owners receive in excess of $500 per month.

A second category of royalty owners consists of those hundreds of thousands of individuals who have purchased royalty interests to fund their retirement incomes. As you know, Senators Bentsen and Boren, purchase of royalties is a common form of investment in oil producing areas. Such investments are used in much the same way as mutual funds or annuities are used by those in non-oil producing states to provide income security during the retirement years. According to preliminary results of another survey recently undertaken by the West Texas Land and Royalty Owners Association, over half of all royalty owners in the southwest region of the United States are over 65 years of age, and more than 65 percent are over 60.

Such retirees have depended on their royalty checks to supplement frequently inadequate Social Security assistance. Retired people whose retirement income derives from oil royalties are no less affected by double digit inflation than are other retirees. Further, hundreds of letters received from elderly royalty owners ve confirmed that, in a large number of cases, royalties are being received on ewer number of barrels of oil per day. Depletion of oil reserves over the years s resulted in reduced production from their royalty properties. Thus, price creases could, at best, help offset such declining production levels. Further, is reported that many stripper wells in which retirees hold their interests, have en closed following imposition of the windfall profit tax. Such closures obviously sult in cessation of *all* royalty payments from the affected wells.

In addition to the fundamental inequity of including royalty owners in the ndfall profit tax, a further inequity should be mentioned. The windfall profit x is an excise tax, not an income or profits tax. Excise taxes, although paid itially by a producer of goods, are intended to be borne by the ultimate purhaser. The tax, paid by the producer, is transmitted to the ultimate purchaser consumer through the sale price of the goods. Integrated oil companies are le to recover the windfall profit excise tax through their downstream operans. Thus the impact of the tax is mitigated.

Unlike the oil companies, however, royalty owners have no downstream operans, and so are unable either to pass through the tax or otherwise to absorb as a cost of doing business. Royalty owners whose royalties are taxed bear e full burden of the tax without mitigation.

EXCLUSION OF ROYALTY OWNERS FROM THE WINDFALL PROFIT TAX WOULD PROVIDE A NECESSARY INCENTIVE FOR LAND-OWNING ROYALTY OWNERS TO RELEASE UNEXPLORED PROPERTY FOR NEW OIL DEVELOPMENT

It has been argued that, because royalty owners are not "producers" they nnot contribute to expanded crude oil production, one of Congress' stated jectives.

It is the position of the West Texas Land and Royalty Owners Association at such a conclusion is fallacious. In fact, the reverse is likely to be true.

The people who own the land on which new exploration and development must ke place are potential royalty owners. Unknown millions of acres of land with l development potential are privately held. Owners of such land number in the ndreds of thousands. Many have already leased parts of their property for l exploration. All will now be making decisions whether to lease additional land r production or hold it until such time as they may claim the full value of their ineral rights. These hundreds of thousands of individual decisions will, collecvely, determine whether vast areas of land in this country will be made availle for oil exploration and production.

Some opponents of incentives for owners of land on which oil is produced cite e fact that they bear none of the operating costs associated with oil exploraon or production. However, viewed in terms of a desired production response, e lack of operating overhead gives most landowners the freedom to make ecisions as to future leasing arrangements without the operating income presres which would otherwise accompany active production operations. Thus, bsent some greater incentives than now exist, landowners, knowing that their ineral rights will appreciate over time, may well decide to retain those rights r future generations.

III. RECOMMENDATIONS

Senators Bentsen and Boren, it is the Association's conclusion that the above onsiderations compel a recommendation that the Windfall Profit Tax Act be mended to exempt royalty owners.

Until such an exemption can be enacted, however, the Association supports doption of a royalty income exclusion such as that proposed in S. 2487, S. 2533 r S. 2848. S. 2533 and S. 2487 would exclude from the windfall profit tax royalty ncome deriving from the first 1000 barrels of oil per day in which a taxpayer as an interest. The bills would also exclude income received by independent proucers on their first 1000 barrels of oil per day. As an association of royalty ownrs, Mr. Chairman, we are not prepared to comment on that aspect of the bill, xcept to note that exclusions for royalty owners and for independent producers aise issues sufficiently diverse and important as to merit their separate legisative consideration.

S. 2848, on the other hand, deals only with royalty owners. While the exclusion is considerably more modest than that proposed in the other bills it would emedy, for a large proportion of royalty owners, the inequitable burden imosed by the windfall profit tax. Further, S. 2848 would have the advantage of providing an equal level of relief for royalty owners regardless of the fractional share of their royalty interest. The owners of smaller fractional shares, for example a 1/64 or 1/256 interest, would not be penalized relative to owners of the full ⅛ royalty interest. Relief would be granted equally to holders of the royalty interest. This equalization factor is particularly important for retirees who depend on royalties for their income but whose fractional shares often are small.

With respect to the impact of the various bills on new oil leases for exploration and production, the Association believes that only full exemption of royalty interests will suffice to remove the existing disincentives created by taxation of royalties under the Windfall Profit Tax Act. S. 2487, S. 2848 and S. 2533 could have a marginal effect by excluding from the tax royalties deriving from a base level of production. However, so long as the owner of potentially productive land can anticipate imposition of the windfall profit tax on even a part of his rental payments, there will remain a substantial incentive to postpone development of that property.

Finally, mention should be made of the $1000 tax credit proposal recently approved by the Senate Finance Committee as part of the Committee's budget reconciliation recommendations (Senate Committee Print 96-37, July 2, 1980). The tax credit, which will be applied against the first $1,000 of windfall profit tax paid by certain royalty owners in 1980, will rebate only the first $100 per month of windfall profit tax. One hundred dollars per month is but token acknowledgment of the tax's inequity. For those royalty owners, particularly farmers and retirees, who depend on royalties as a major source of farm or retirement income, the $1000 tax credit may insulate $100 of their monthly income from the oil tax. However, whatever remaining portions of their incomes are in the form of royalties remain subject to same tax as levied on the large oil companies.

Further, the tax credit will not be available at all to the many individuals, particularly widows, whose royalty interests have been placed in trust. Royalty owners whose interests are held in trust for them are specifically ineligible to claim the tax credit, as approved by the Finance Committee. This restriction not only lacks merit, but also will operate to the detriment of some of the neediest of royalty owners.

The $1,000 tax credit can provide modest assistance to the neediest royalty owners. However, it should be viewed as merely a stopgap measure, not as a long-term or permanent solution to the current inequitable taxation of royalty owners. We urge that you and your colleagues press for the total exemption of royalty interests, or alternately, for an exclusion of royalty interests up to certain levels of production. We understand that passage of such an exemption provision will require an immense educational effort on our part as well as yours, but we have every confidence in your ability successfully to represent before your colleagues the interests of the millions of royalty owners so tragically ignored during last year's debates.

Senators Bentsen and Boren, the Association's members would like to express their deep appreciation for the interest you and your colleagues on the Senate Finance Committee have shown regarding the inequitable taxation of royalty owners under the Windfall Profit Tax Act. We thank you for the opportunity to be here today and to present our views, and would welcome any questions you might have.

Senator BENTSEN. Our next witness is Mr. Harold D. Courson, president of the Panhandle Producers and Royalty Owners Association of Amarillo, Tex.

STATEMENT OF HAROLD D. COURSON

Mr. COURSON. Senator Bentsen, Senator Boren, and Representative Pickle, my name is Harold Courson. I am an independent oil and natural gas producer and royalty owner. I appear here today as president of the Pandhandle Producers and Royalty Owners Association headquartered in Amarillo. We are a regional association of oil and gas producers and royalty owners. Our current membership totals 598.

We welcome and appreciate this opportunity to express our views on the so-called Windfall Profit Tax Act of 1980. It will come as no surprise to you that our association opposed the tax from its inception, and we continue to oppose it today. We hope that hearings such as the ne being held here today are an indication that Congress is aware that it made a mistake in passing the act and that there is some hope for us that corrective remedies for that mistake are in the offing in the ot-too-distant future.

There will be plenty of specific hardship cases presented here today; therefore I will refrain from these specifics. Panhandle Producers & Royalty Owners Association represents the top 26 panhandle counties.

Of the 12,000 oil wells in this area, production was approximately 16 million barrels of oil in 1979. Our daily average oil production in 1979 was 2.64 barrels per day per well.

I would like to point out that many of the 12,000 wells were drilled in the early 1930's. Therefore, present royalty owners are second- and third-generation owners and the family interests have been diluted to the point that a very small percentage of the royalty is received by any one individual.

The average windfall profit tax paid in the Texas Panhandle is 26 percent of the royalty owners' net receipts. Since March 1, we have had the new windfall profit tax to contend with—a tax which becomes a back-door form of price controls at the wellhead.

Contrary to public belief, this is not a tax on profits. It is an excise tax collected at the wellhead regardless of profits. The public needs to know it is not a tax on big oil. Yes, to the extent major oil companies have domestic production they pay the tax. They pay no windfall tax on their foreign operations nor on their operations beyond the domestic wellhead.

The public and the Congress, if they will take a close look, will find that this tax falls most heavily on those people who do 100 percent of their business in the United States—the domestic independent producer and his royalty owners. [Applause.]

And it is particularly tragic to see that the Treasury is taking wellhead revenues away from this group when one realizes that it is the independents who drill more than 90 percent of all wildcat wells, 75 percent of all wells and find some two-thirds of all additions to our domestic reserves. They are doing that, in most part, on private property which belongs to tens of thousands of royalty owners who are being penalized by this new tax.

If our goal is to increase domestic production and reduce imports, we need to be drilling every prospect we can find. But with the U.S. Treasury skimming from $7 to $17.50 off the top of every domestic barrel produced, that capital is lost to the task of producing more energy and is used instead to produce more Government. [Applause.]

Not only is the new tax a dollar and cents problem, but it is providing us with an administrative nightmare. With base prices and market price changing monthly, the basis for computing the tax changes monthly.

Hardly anyone—and particularly small independents and royalty owners—knows if they are paying the correct amount of tax from month to month and we suspect it will be years before we will find out.

We all agree that continued imports at today's levels are seriousl draining our economy and that increased domestic production woul help stem those costly, insecure imports.

In conclusion, we want to commend Senator Bentsen and other who worked so hard to lessen the burden of the tax with the 1,00 barrel exemption. If it had succeeded in being in the final bill, i would have given independents more capital for new drilling pro grams as well as reduced significantly the evergrowing paperwor burden which each new piece of energy legislation has sent our way

We urge you to begin today to dismantle this unwise tax and woul suggest as a first step the reinstitution of the 1,000 barrel exemption for producers and all royalty interests.

We thank you for this opportunity to appear and stand ready t assist in supporting legislative remedies to clear up the regulatory-tax mess which surrounds our industry today. Thank you. [Applause.]

Senator BENTSEN. You are right. There are page after page after page of regulations on the windfall profit tax.

[The prepared statement of Mr. Courson follows:]

STATEMENT OF HAROLD D. COURSON, PRESIDENT, PANHANDLE PRODUCERS AND ROYALTY OWNERS ASSOCIATION, AMARILLO, TEX.

Mr. Chairman and Members of the Subcommittee, my name is Harold Courson. I am an independent oil and natural gas producer and royalty owner. I appear here today as president of the Panhandle Producers and Royalty Owners Association headquartered in Amarillo. We are a regional association of oil and gas producers and royalty owners. Our current membership totals 598.

We welcome and appreciate this opportunity to express our views on the so-called Windfall Profits Tax Act of 1980. It will come as no surprise to you that our association opposed the tax from its inception, and we continue to oppose it today. We hope that hearings such as the one being held here today are an indication that Congress is aware that it made a mistake in passing the Act and that there is some hope for us that corrective remedies for that mistake are in the offing in the not too distant future.

There will be plenty of specific hardship cases presented here today, therefore I will refrain from these specifics. Panhandle Producers and Royalty Owners Association represents the top twenty-six Panhandle Counties. Of the 12,000 oil wells in this area, production was approximately 16 million barrels in 1979. Our daily average oil production in 1979 was 2.64 barrels per well.

I would like to point out that many of the 12,000 wells were drilled in the early 1930's. Therefore, present royalty owners are second and third generation owners and the family interests have been diluted to the point that a very small percentage of the royalty is received by any one individual. The average Windfall Profit Tax paid in the Texas Panhandle is twenty-six percent of the royalty owners net receipts.

For those of us in the business of producing domestic oil and natural gas, there is no mystery as to why this nation is in the energy mess we find ourselves in today. For years, and particularly since World War II, our industry has repeatedly warned the Nation and its leaders that we were on a dangerous course. All through the 1950's and 1960's we predicted the type of disruption which came about as a result of the 1973 Arab oil boycott. We knew the time would come, the only question was when would it come?

Why did we predict this? Because we saw, that as a matter of national policy, during those years we were importing too much foreign oil at bargain-basement prices. As domestic producers we looked around us and saw thousands of our numbers go out of the business of searching for and producing crude oil and natural gas. Our colleagues were going out of business because they could not compete in the market with cheap energy from outside the U.S. In constant dollar terms, we saw the average value of a barrel of crude at the domestic wellhead go from $4.19 in 1960 to $3.39 in 1972. While inflation was not what it is today, during those years we watched our real price drop while our costs increased by more than twenty-five percent. As a result, not only was there very little incentive to produce domestic crude oil and natural gas, but those cheap barrels did not generate the capital necessary to reinvest in drilling evermore expensive new prospects.

At the same time, those cheap imports which kept domestic prices depressed, sent a false signal to the consuming public. That signal was that energy was cheap and getting cheaper in real terms. We all know what happened. More and bigger cars were built. Industries located in far flung rural areas of the country without regard to transportation costs of raw and finished products. We even developed electric toothbrushes. Why not? Energy was the best bargain we had going for us. And of course the result was predictable. Not only did we see domestic crude oil production level off, but more importantly we saw consumption sky-rocket—from 10 million barrels a day in 1960 to more than 16 million barrels a day at the time of the 1973 embargo. As a nation, we were dismantling our domestic producing industry at a time when our energy appetite was growing at unprecedented levels.

The reaction to the 1973 disruption is history. Out of frustration the public and many politicians needed a scapegoat and that became the domestic oil industry. The "quick fix" was domestic price controls. We could not control what the Arabs were doing, but politicians thought they could soften the blow to consumers by controlling domestic prices.

Of course history tells us that would not work. Price controls and the uncertainties that go with them, brought about further reductions in more economic, secure domestic oil. That meant increased import requirements and ever higher consumer prices. The vicious circle continued through the 1970's—domestic production continued to decline and imports grew. Caught in this cycle, domestic producers found that even though they had some increased wellhead revenues, those revenues were quickly eaten up by inflation and we were lucky to halt the domestic production decline by the end of the decade, let alone get on with the business of increasing production and reducing import requirements.

As an industry, we were encouraged in early 1979 when we heard sounds coming from the White House about finally removing price controls altogether on domestic crude oil. Knowledgeable people throughout the industry predicted a drilling boom. Active rigs in the field last week were in excess of 2,900—up from just 2,000 a year ago. We expect to drill more than $50,000 wells nationwide in 1980—the first time we have reached that level since 1959. Producers are responding to these new price incentives and we believe production and reserve figures will soon reflect the results of this increased drilling activity.

But the question is, how long can it be sustained? Inflation of the level we have been experiencing has already taken away much of the capital which phased decontrol is giving us. Since March 1, we have had the new Windfall Profits Tax to contend with—a tax which becomes a back-door form of price controls at the wellhead.

Contrary to public belief, this is not a tax on profits. It is an excise tax collected at the wellhead regardless of profits. The public needs to know it is not a tax on "big" oil. Yes, to the extent major oil companies have domestic production they pay the tax. They pay no "windfall tax" on their foreign operations nor on their operations beyond the domestic wellhead. The public and the Congress, if they will take a close look, will find that this tax falls most heavily on those people who do 100 percent of their business in the United States—the domestic independent producer and his royalty owners. And it is particularly tragic to see that the Treasury is taking wellhead revenues away from this group when one realizes that it is the independents who drill more than 90 percent of all wildcat wells, 75 percent of all wells and find some two-thirds of all additions to our domestic reserves. They are doing that, in most part, on private property which belongs to tens of thousands of royalty owners who are being penalized by this new tax. If our goal is to increase domestic production and reduce imports, we need to be drilling every prospect we can find. But with the U.S. Treasury skimming from $7 to 17.50 off the top of every domestic barrel produced, that capital is lost to the task of producing more energy and is used instead to produce more government.

Not only is the new tax a dollar and cents problem, but it is providing us with an administrative nightmare. With base prices and market price changing monthly, the basis for computing the tax changes monthly. Hardly anyone—and particularly small independents and royalty owners—knows if they are paying the correct amount of tax from month to month and we suspect it will be years befo we will find out. Just as under the Natural Gas Policy Act of 1978, produce see hundreds of their hours and their employees hours being wasted complyin with government regulation instead of seeking and drilling new prospects.

Again, we want to emphasize that we can see no justification for this mi labeled excise tax at all. It is well known that this nation has a considerable un tapped resource base for crude oil and natural gas. The primary deterent to d velopment of that base has been a shortage of available capital.

We all agree that continued imports at today's levels are seriously drainin our economy and that increased domestic production would help stem those costly insecure imports.

In spite of these facts, Congress has made the decision that more taxes wer what we needed rather than more capital to produce more energy. We believ that was an unwise decision and that it should be reversed and repealed at th earliest possible date.

In conclusion, we want to commend Senator Bentsen and others who worked s hard to lessen the burden of the tax with the 1,000 barrel exemption. If it ha succeeded in being in the final bill, it would have given independents more capita for new drilling programs as well as reduced significantly the evergrowing paper work burden which each new piece of energy legislation has sent our way.

We urge you to begin today to dismantle this unwise tax and would sugges as a first step the reinstitution of the 1,000 barrel exemption for producers an all royalty interests.

We thank you for this opportunity to appear and stand ready to assist in supporting legislative remedies to clear up the regulatory-tax mess which surrounds our industry today.

Senator **Bentsen**. Our next witness is Mr. Troy Sloan. He's from the Texas Wheat Producers Association.

STATEMENT OF TROY SLOAN

Mr. **Sloan**. Senator Bentsen, Senator Boren. I welcome the opportunity to appear before you to oppose the so-called windfall profit tax application to individual royalty owners.

I am a member of the farmer-elected nine-member Texas Wheat Producers Board, a member of the Institute of Certified Appraisers and of the Texas Society of Rural Appraisers and also of the Panhandle Producers and Royalty Owners Association. I am appearing today as a wheat farmer and in their behalf. Historically, the potential for mineral leasing or royalty income has figured in wheat farmers purchase of farmland. It has also been a significant part of their land cost and often an integral part of their income.

I would like to start my statement with a true story about a royalty owner. I farm 320 acres of wheat land on a share crop basis for an elderly lady. She lived on this farm many years. She worked at the high school cafeteria to help make the family a living and make land payments which included the royalty interest.

When she and her husband grew too old to maintain the farm they moved to New Mexico so a daughter could help care for them. In the meantime she leased her land for minerals and has a one-sixteenth interest in a small stripper oil well.

Her farm income, small teacher retirement benefits and royalty income has provided her less than $8,000 per year to maintain her home and care for herself. I called her July 5 to tell her that I had harvested the wheat and had a better yield than in 1979; however, due to the drop in wheat prices she would have less farm income in 1980. She then told me, she had notices that her property taxes were up, her royalty ad valorem taxes increased, and that she had just lost about 34 percent of her royalty income to this so-called windfall profit tax.

Needless to say, she was distressed and bewildered. How can anyone call this windfall profits? I maintain that it is the fruits of frugal investment and is hard-earned income. This situation is not unique. It holds true for many royalty owners with whom I have visited.

I am a registered professional appraiser. To supplement my farm income, I professionally value land, homes, oil and gas wells, and all types of property. I know from first-hand experience, that royalty interests are bought and paid for from after-income-tax dollars, then income tax is paid on royalty payments, along with school taxes, county taxes, hospital taxes, road taxes, water district taxes, severance taxes, and now after all this, we are told that we have a windfall and must pay more taxes, and when we pass away, pay inheritance taxes on this royalty. Royalty owners have neither refineries, nor marketing facilities, but on the other hand, help pay the major oil company taxes that have been passed through every time they buy petroleum products.

Contrary to some popular opinions, the average royalty owner does not put his royalty checks in certificates of deposit or savings and loan companies; but in fact, he uses the money to live on, to pay his farm payments and operating expenses. In short, it circulates and maintains rural towns and communities. Royalty payments keep elderly people off welfare rolls, and many farmers from competing for off-farm jobs in the job market. A large portion of royalty income is used for conservation purposes in rural America, to make our land more productive, and improve the environment so as to make our land a better place to live.

Through the windfall profit tax law our Government has decided to take about one-third of this income and through bureaucracy handling to a better job of spending this hard-earned and richly deserved private income than the people to which it rightly belongs.

There is no windfall profit in small royalty ownership. There is no comparison or basis for taxing royalty on the same basis as major oil corporations. Their whole tax structure is different. The Government recognizes this difference by placing a higher rate on royalty for inheritance tax purposes. Also the Government allows major oil companies to pass through certain taxes that royalty owners cannot. Major oil companies have a different taxing system for their investments in exploration, leasing, and so forth than royalty. For instance, if an oil company pays $50 per acre for a mineral lease and drills a dry hole, the company has a direct writeoff for all its investment.

However, if the royalty owner has $50 per acre invested in the royalty portion of the price he paid for his land and the operator hits a dry hole, the royalty owner gets no tax relief on his investment. So, with all these different taxing schemes, how anyone could see any comparison between royalty ownership and major oil corporations is beyond my realm of personal or professional reasoning.

Accordingly, then, I respectfully request that the windfall profit tax not be applied to royalty owners and to the extent that it has already been implemented that there be a direct refund or tax credit established for its recovery. Thank you. [Applause.]

Senator **Bentsen**. Mr. Sloan, as you know the farm income across the United States is down around 30 percent this year. Certainly the royalty income, where it is available, helps moderate that. It will help some people stay on those farms and help make their mortgage payments.

But the windfall profit tax certainly worked contrary to that.

Mr. **Sloan**. That is true.

Senator **Bentsen**. Our next witness is Mr. L. P. Bloodworth, from Sonora, Tex.

STATEMENT OF L. P. BLOODWORTH

Mr. **Bloodworth**. Senator Bentsen and Senator Boren and you good Texas folks who came here today, I want to welcome you here to hear what I have to say.

My name is L. P. Bloodworth, Jr., P.O. Box 395, Sonora, Sutton County, Tex. At this point a clerk usually speaks up and says, "Sir, we need your street address." I'm going to give it to you. You go 17 miles west of Sonora on Interstate 10. You turn south down a dusty, rough caliche road a distance of 11 miles and you will find my residence. Twenty-eight miles west of Sonora, Tex. at the lower end of the Glasscock Road is my street address. I do not now and never have owned a house in town or lived in town.

To give you a bit of my background, I must dig into west Texas and Sutton County history. My maternal grandfather, B. M. Halbert, came to Sutton County in 1892 to seek his future in the untamed West. He was first a bookkeeper for a local mercantile store and held other jobs to acquire money to purchase lands on which he could build a home for the beautiful young lady from Edwards County that had caught his eye. In 1895 he purchased our present-day headquarters ranch and began to raise a family.

Gentlemen, I am the third generation of my family to live on this land. My children are the fourth. My family has been in the ranching business in Sutton County, continuously since this time.

My paternal grandfather, who was a preacher, was Joseph Thomas Bloodworth, was a horseback-riding Methodist circuit rider on the plains of Texas in the late 1800's, having had the honor of preaching the first Protestant service in the area of Amarillo, Potter County.

He rode the open, unfenced plains and helped the cowhands with their work by day, and in the evenings would put on his white shirt, reach in his saddlebag, get out his Bible and preach to them by the light of the campfire. The reasoning for this bit of reminiscing and history is not to bore you with my heritage, but to impress upon you that not all of us royalty owners are oil and gas or land speculators as are referred to in the windfall profit law. We are true, everyday working ranchmen trying to grow food and fiber for this great Nation of ours. [Applause.]

I am a very patriotic, flag-waving American. I served my country in WW II without question as to the legality of the war or conflict. I returned home in 1945 and started to build a home for my family. At this time we did not have any oil or gas produced on our family ranch.

The oil and gas production only began after 1972. The money generated by the sale of these products has been very helpful in our being able to provide feed for our cattle, sheep, and goats. This past winter we experienced a very dry year and supplemental feeding was very heavy. We were fortunate to have this oil and gas income and were able to survive without digging into our savings or getting on our knees in front of our banker. Is this a windfall profit?

Gentlemen, I am very much opposed to the windfall profit bill in its entirety. [Applause.]

It is unfair and I believe unconstitutional. It is nothing but an excise tax, and that is very wrong The Government uses this law to tax the oil producers and then turns right around and taxes the royalty owner on the same barrel of oil, with the same law. Nowhere can I see this is fair

Without a profit no business can survive. You are all men of the business world and you know this to be true. Let's get rid of this law. You and your fellow members of Congress can get this done. I am told that over 60 percent of all windfall profit money will come from Texas. Why are we penalized for having good business heads and operating a business at a profit? We are not operating with a deficit and asking for Government loan [applause] only asking for what is rightfully ours [applause].

We readily admit that the major oil companies are very large and have staggering profit sheets, but look a bit deeper and see how this all came about. Don't penalize them, but let them spend this money to find new sources of energy, that we may cut ourselves loose from the camel riders of the Mideast. I thank you. [Applause.]

Senator **Bentsen**. Mr. Bloodworth, we would sure be pleased to travel down that country road to visit you.

Mr. **Bloodworth**. Every day.

Senator **Bentsen**. Our next witness is Mr. Mike Moeller of the Texas Farmers Union.

STATEMENT OF MIKE MOELLER

Mr. **Moeller**. Senator Bentsen, Senator Boren, thank you very much. If I may, I have a written statement and I would appreciate it if you can insert it in the record. I will try to be as brief as possible.

The Texas Farmers Union as you know, Senator, has direct contact with people that are most affected by the windfall profit tax including royalty owners.

We have farmers and ranchers and we also have a good deal of elderly citizens that we serve through the Senior Texas Employment Program and Green Thumb. We, as you, hear daily from the people that are impacted by this.

So much has already been said; so many of the points have already been made. I feel like I would like to use my time to emphasize a couple of points that have already been made.

The first one is that chart behind you: Family farm income and the windfall profit tax. A good many of our folks have already gone off this chart on the cost end. This year, as you emphasized Senator, has already been a bad one for small farmers and ranchers in Texas.

Natural disasters, the drought, an uncommon number of hail storms this spring have put our people up against the wall. Unnatural disasters like the grain embargo, have caused further problems. And the windfall profit tax may well be the most unnatural disaster of all. [Applause.]

And I think, tragically, it is going to put some of our folks out of business. I don't think there's any way to get around that unless we have some kind of immediate relief forthcoming.

The second point and this one has been raised before, but I think this is a point that I think we need to carry to our friends in the city, and that is that there are a lot of urban folks and a lot of urban Congressmen and a lot of urban Senators that have a false impression of landowners in Texas.

They believe that we are out here, waiting for the oil companies to come to us with a lucrative lease so that we can gobble it up and live off the fat of those royalties and bonuses and so forth. In talking to our folks, that is not the case. There are a good many farmers and ranchers in Texas that are at the point where they don't want to lease their mineral rights any more. [Applause.]

I attended a couple of meetings in west Texas in the last couple months where we met with royalty owners and we met with people that had originally leased their minerals and they were telling us of the grief that they had bought by signing those leases: Sludge pits on their farms that are making them nonproductive, nonexistent reclammation, polluted ground water, nonexistent or depleted ground water. And these folks were saying that unless they can get a lot of money in return, it is just not worth it any more.

It is not worth what's done to our land. And so I believe that the windfall profit tax is, in many cases, going to be the straw that breaks the camel's back on mineral leases on farmland in Texas. [Applause.]

I don't think many of us are going to presume to tell you or any other Member of Congress what exactly should be done. We are certainly supportive of all the suggestions that have been offered today.

I think at the very minimum, if politically we can't get anything else, our people have got to have that credit against their income tax of at least $1,000 in order to survive.

I appreciate and the Farmers Union appreciates the opportunity to appear before you today and will be glad to respond to any questions you might have.

Senator BENTSEN. Thank you very much.

[The prepared statement of Mr. Moeller follows:]

STATEMENT OF TEXAS FARMERS UNION REGARDING EXEMPTING ROYALTY OWNERS FROM WINDFALL PROFITS TAX, PRESENTED BY MICHAEL MOELLER, LEGISLATIVE DIRECTOR, TFU

Mr. Chairman and members of the Senate subcommittee, my name is Michael Moeller. I reside in Hays County, Texas, and I am here today to represent the Texas Farmers Union. Our organization is made up of some 10,000 farm and ranch families throughout Texas.

Delegates of our organization meet once a year to determine legislative policies at the state and national levels. At our 1980 convention, our delegates voted to support taxing the excess profits of the major oil companies. However, we do not support the Windfall Profit Tax Act as it was adopted.

In the last few weeks, I have spent a good deal of my time visiting with members of T.F.U. throughout the state. I don't know how many of our members supplement their agricultural income with oil royalty income. However, based on the complaints we have received lately, I suspect that the number is substantial.

As I'm sure you are aware, this has not been a good year financially for farmers and there is very little relief in sight. Many of our members are struggling to make ends meet. As a matter of fact, some of our members depend on their royalty income to stay in the farming (or ranching) business. Without their mineral lease income, many would have already gone under and, very likely, their land would have gone out of production. In short, in some parts of West Texas, there is a strong inter-relationship between food and fiber production and mineral production. Those folks who must depend on both in order to stay in business, are the most severely impacted by the sudden loss of income imposed by the windfall profits tax.

I need to add that the decision to lease the mineral rights to one's property is not as simple as many non-farmers believe. The landowner gives up a certain amount of privacy, frequently some of the land is rendered useless by sludge pits, improper or non-existent reclamation, etc.; and often the water table is polluted or depleted or both. Some of our members have only recently come to believe that the problems created by mineral production were offset by the income. Now that their mineral income has been reduced, they regret their decision. As long as royalty owners are subject to the windfall profits tax, there will undoubtedly be oil that goes untapped because landowners will refuse to lease their mineral rights.

Texas Farmers Union also serves elderly Texans in rural areas through the Senior Texan Employment program and the Greenthumb program. These folks, retired and subsisting on mineral incomes, must spend every penny they receive for essentials. The ones that have been receiving royalty income were virtually devastated when the new tax was deducted from their checks.

At the very least, low income families and individuals need to be exempted from the tax. Whether this is accomplished by a direct exemption at the production level of a fixed number of barrels per royalty owner or by other means is a decision that we're certainly not qualified to make. If nothing else is politically feasible, we would surely support an income tax credit for windfall profit taxes paid by middle and low-income families.

I want to close by thanking you for the opportunity to express our views on this serious problem. I'll be glad to answer any questions you might have.

Senator **Bentsen**. Our next witness is Mr. John S. Chambers, from Amarillo, Tex.

STATEMENT OF JOHN S. CHAMBERS

Mr. **Chambers**. Senator Bentsen, Senator Boren, I appreciate the opportunity to come testify at this hearing. I am going to list you the reasons that I, as a royalty owner, am against the windfall profit tax:

The windfall profit tax is actually an asset that is depleting in value. A royalty owner is completely out of oil revenue business when his oil is gone. An oil company, on the other hand, has a chance for continued production. I realize that exploration is very costly and a treacherous business. Most royalty owners don't have the expertise to employ their royalty proceeds in such ventures.

No. 2: The windfall profit tax has adverse effects. It is extremely difficult to establish values on property when the Government can come in, at its whim, and change the tax rate on the revenues which his property produces.

No. 3: I wonder what the Senate might think if the people were to declare that any salaries or remuneration over $20,000, paid to the Senators, was a windfall and that it should be taxed at a much higher rate. [Applause.]

I think that they would be against it and so would I. But this precedent because you do not know who is next on the windfall profit tax list—school teachers, exorbitant salaries, farmers income, gold miners income. Who knows? The basic principle is wrong, to tax someone. Why should minerals be taxed at higher rates?

No. 4: I think the present Congress has found a whole new source of revenue in the windfall profit tax that lets it fund a lot of unnecessary and unworthy projects without hitting the pocketbooks of every American. The people who are connected with the industry are the scapegoats. They are being asked to pay the bills for Congress. Free enterprise and private property.

The whole concept of big Government has to be sustained by higher taxes on a continued deterioration of the dollar. Big Government has called on the royalty owners to finance their folly.

Our next question is who is going to finance big Government when all the royalty owners' assets are depleted, and they certainly will be. These assets are being taxed away. My question to the Senators, why us? Thank you, sir.

Senator **Bentsen**. Our next witness is Mr. Roy Wheeler, president of the Independent Cattlemen's Association of Texas.

STATEMENT OF ROY G. WHEELER

Mr. **Wheeler**. Senator Bentsen, Senator Boren, my name is Roy Wheeler, president of the Independent Cattlemen's Association of Texas.

The Independent Cattlemen's Association unanimously adopted a resolution at the sixth annual convention in San Antonio announcing its support of Senator Lloyd Bentsen's bill, S. 2533, to exempt royalty owners and independent producers from the windfall profit tax. We support this bill because landowners, ranchers, farmers, and others were led to believe that the windfall profit tax would affect only the major oil companies.

Then we found out that the windfall profit tax has instead been written to include thousands of royalty owners living on fixed incomes, retired in rural areas, farmers, ranchers, and others who will be unable to continue their present way of life because of serious reduction in income. Also, most of the revenue collected from the windfall profit tax will come from the citizens of Texas.

In summary, we feel that the windfall profit tax is robbing the private property owner of his livelihood and is a major step toward national land use controls, which our organization has been opposed to for many years.

We believe that any benefit coming from the soil or under the soil belongs to the man who owns the property. Any profit he makes should go back into making his land more profitable for him and his Country. [Applause.]

The Independent Cattlemen's Association wishes to go on record urging Congress to take immediate action and pass Senator Bentsen's bill exempting royalty owners from the windfall profit tax. [Strong applause.]

Senator **Bentsen**. I know that means a lot to you and I'm very appreciative. We are going to talk to cattlemen across this Nation and get them to contact their Congressmen. We certainly appreciate your help.

The next witness is Mr. Tom Petley of Houston, Tex.

STATEMENT OF THOMAS C. PETLEY

Mr. **Petley**. Thank you, Senator Bentsen and Senator Boren.

Like Eddie Childs, I am mad, too. For about 50 years my family has been in the oil and gas business, primarily as roylalty owners. When my grandfather and great uncles started into the business they were landowners like most of you folks here today. I notice that most of the folks here today are not people in tuxedos and driving Rolls Royces.

I notice there are some blacks. I notice there are a lot of farmers and there are just plain everyday type of people. And that is what my antecedents were too. They went into the oil-producing gas contracts, the contract wasn't so hard. Royalty owners are not quite the same as independents. I know a lot of independents have testified here today.

We take the contract in many of the cases historically and we took what we got. At any rate, for them signing the lease wasn't so easy, because as they signed it and as soon as they found a little oil on their property, then the litigations started, chewed them up, spit out my grandfather who lost everything and left my two uncles and kept some of it.

One of the landmark cases in the oil business is strictly a case that came off our property. At any rate, there are several things that I would just like to step off into, which have not been said. This past legislative session in Texas, our legislature had the lack of foresight to change the tax structure relating to school taxes and raised the amount to 100 percent for valuation.

Of course, when it comes to royalty interests or minerals, that has been affected. And I understand in talking with several other royalty owners and several other people who know these kinds of things, that some of these taxes have been increased as much as four times.

Royalty owners are not just being hit by Federal Government changes in their windfall profit taxes.

For example, last year the Conroe Independent School District, where we have a majority of our land, increased its mineral taxes by 20 percent. This year they are again increasing them by another 33 percent—I don't know when this is going to end. But it appears to me that we are fair game. If we are not fair game for the—[applause].

I know that the school district taxes us on the basis of the value and the oil in the ground and not on the actual money that we receive.

At any rate, I don't know why, really. Cities like my city, Houston, was planning its unbridled growth in spreading the city out for oil consumption and gasoline use. Oil royalty owners certainly didn't cause that. When Detroit came out with these big 450 cubic foot engines and all these gas guzzlers, we certainly weren't the ones for that.

When Government picked on taxes—kept our oil and gas prices regulated at an exceedingly low rate, for many years, that was not our fault and now they have come and people realize that the 20th century oil price is not $5 a barrel or $9 a barrel, that it is $32 a barrel, we are getting the blame for it because of the lack of foresight.

It is lack of foresight in our Government—lack of foresight in our industry in responding to the oil and petroleum needs and it is also the lack of our local municipal governments for an effective land-use planning so that we don't have to be driving 50 miles to work every day.

We are getting blamed for that and we are paying that tax.

As an attorney, myself, I look at this with a strong desire, because I wonder how long it will be before the courts step in and tell our Congress what they have done wrong. [Applause.]

It seems to me that the laws of eminent domain, which allow the States to take property require, one, due process, and two, a fair payment for the property taken.

Nationalization, which I think has occurred with our property, has not been the answer and I think the testimony today has indicated it is not going to increase production in any way. It is basically going to go down the endless hole of Government spending.

Gentlemen, we have created a monster and I am afraid the monster lives. [Applause.]

Thank you.

[The prepared statement of Mr. Petley follows:]

HOUSTON, TEX., *July 7, 1980.*

MICHAEL STERN,
Staff Director, Senate Finance Committee,
2227 Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: For about 50 years my family has been in the oil and gas business, primarily as Royalty owners. When my grandfather and great uncles started into the "business" they were land owners of property located in the Conroe, Texas area. They entered into a lease with Humble Oil Co. for ⅛ of whatever oil and gas might be produced from this land. But it didn't stop there. Signing the lease was the last "easy" thing for them to do, for almost immediately hordes of lawsuits and claims developed among which was the landmark Strickland case. For my grandfather, that litigation caused his financial ruin. For my great uncles, the results of years of litigation left them with a small share in the Conroe (Texas) oil field some of which has been inherited into my immediate family. In addition to the property above, other mineral interests are producing additional royalty income.

The increasing prices of unprocessed crude, gas and distillates, particularly since 1973, have not been fairly realized by royalty owners. Having borne the burden of unrealistically low priced oil and gas to our detriment for many years, we are now commanded to give up 70 cents on the dollar for each dollar over $12.80 (approximately) that a barrel is sold for. With regard to the world price of oil now set at about $32.00, the resulting difference when totally decontrolled prices will be in effect will be about $19.00 of which we will derive only $5.70. The $13.30 as a windfall profit will go to the government. Personally, I know of no identifiable group of people in this country other than royalty owners who have had their property nationalized and taken from them in this way. Even in condemnation proceedings under the state powers of eminent domain, property owners are supposed to be fairly compensated for their confiscated property. The Fourteenth Amendment has lost its meaning if only a small segment of our society is taxed in such a disproportionate manner. Equity might be better served by taxing every person, business or venture with a windfall profits tax when their product or service nets a significant increase in profits due to the effects of the law of supply and demand. If a cosmetic product costs 25 cents to make and is sold for $6.00 why isn't that manufacturer taxed on a windfall profits basis? It seems to me that the very basis of our system of free enterprise has been significantly eroded by the effective nationalization and selective taxation of my mineral interests.

Partisan politics aside, I also believe that the withdrawal profits tax itself is a convenient way for the government to hide a tax increase on the general public. After all, I don't receive the money, the government does and all consumers pay the increased prices. What the government does with the money is certainly not to create new oil. It doesn't invest as I do in new mineral interests, stocks, bonds or real estate projects. At least I employ people, and hopefully put enough money back into circulation that the general economy benefits from my economic activ-

y. And with the "windfall" profits, I would be making more profits, but with ie attraction—I pay taxes on my profits like everyone else—not like some spe- al type of citizen who deserves to pay more than anyone else just because he is royalty owner. That act of singling me out as a royalty owner is contrary to ir nation's historical goals of fair and even handed treatment of all of its tizens.

Every year for as long as I can remember, the taxing authorities where we old our principal royalty interests, have increased our taxes on the estimated ilue of our minerals.

Last year, Conroe Independent School District increased our mineral taxes by) percent (previous years averaged 10–20 percent increase each year) the taxes ive increased this year by another 33 percent. The fact that our royalty income Montgomery County has not increased (it has decreased because of the Wind- ll Profits Tax) has not affected the evaluations by the local taxing authorities. he basis of taxes for them has been the value of the oil—not what we are ceiving. The value of the oil (regulated by the Department of Energy) minus ie windfall profits tax is what we receive. We are being taxed more by the chool District for higher valued oil, but we are not receiving the full value of e oil with which we could pay the taxes. Consequently, our taxes are increasing ster than our ability to pay them, in greatest part due to the imposition of the Vindfall Profits Tax.

Royalty owners are being shot at from every direction. Although we lack the ownstream benefits which major oil companies enjoy (investment tax credits, reign investment credits, increased profits for refined products domestically id abroad, tax on income at corporate rates (which are lower than personal ites)), we are penalized as if we enjoyed the same privileges as they do.

Independent operators appear to have received some consideration by Congress ader the Act. Royalty owners evidently did not.

The fact the royalty owners must share the opprobrium of the general citizenry ' this country seems unfair. When oil and gas prices were controlled and regu- ted at an unreasonably low rate by our government for many years, why should yalty owners be blamed that the regulated prices were unreasonably low? 'hile cities like my city (Houston, Texas) were allowed to grow and build ieir entire being around the automobile, should royalty owners be blamed for ie unwise, unrestricted gasoholic attitude of those cities' urban planners? When etroit came out with the 450+ cubic inch gas guzzler engine and the behemoth adwagons, were the royalty owners to blame? Royalty owners have not con- ibuted to the conspicuous consumption of energy either, they have been victim- ed by it. Until this hearing, precious little attention or thought has been given royalty owners—who basically have acquiesced in protecting their rights ecause they are such a diverse, unorganized minority.

Generally, royalty owners have not and cannot control the disposition of their ssets; they only receive their share of the proceeds at the current market price. 'hen prices were regulated at an unreasonably low rate, royalty owners were eceiving an unreasonably low price for their oil. As prices for their very finite roduct started to rise into the realities of the late 20th Century, pressure has icreased on royalty owners not to receive the fair amount for their commodity ith the Windfall Profits Tax constituting the most significant attack on a fair eturn to royalty owners for their product.

While we all may bear the blame for the collective lack of foresight by our ederal government or cities and industries in dealing with energy policy, no easonable assumption should arise that only royalty owners have to pay for ie general inadequacies of energy use planning. But by the way the Windfall 'rofits tax is imposed on individual royalty owners, it is hard to come to any ther conclusion.

The production from our property is slowly but steadily declining. This year lone it is calculated that we are experiencing a five to ten per cent decrease in roduction. Within a few years there will be no more. I acknowledge the help- ilness of the depletion allowance in this regard, but it is no less noteworthy han other tax advantages made available to industry. In view of the very real ict that significant personal income taxes are incurred and paid each year by oyalty owners, why should a further burden be placed upon us? It seems a fair olution to allow no less than 500 bbls per day per royalty owner to escape the vindfall profits tax. It is not realistic to believe that this figure could be abused y transferring oil interests to multiple family members since the depletion llowance is lost when the interests are transferred. The only other suggestion I would ask that Congress consider is a gradual phased return of the windfall taxes paid by royalty owners to royalty owners to commence when production falls to 50 percent of the original 100 percent allowable. This delayed return of the tax at least could partially offset the long term effect of the windfall profits tax on royalty owners' income.

Whereas royalty owners are now and have historically been the land owners from whom oil operators and oil companies have secured drilling rights through leases of minerals in contracts which were and have been in most cases, nothing short of outrageously favorable to the lessee(s), it is time for the land holders, the royalty owners, to be protected by our government and not subjected to the punitive and unfair taxes imposed by the Windfall Profits Tax.

While I cannot speak with the authority of the hundreds of thousands of royalty owners across this nation, I believe that our voices are entitled to at least as much even handedness and consideration as the few hundred oil companies and others whose positions are organized and are well echoed by their lobbies in our capitol and throughout the country.

Should this disparate treatment of royalty owners continue, for myself I can only affirm that the perverse Windfall Profits Tax will be met with whatever legal remedies I can utilize to re-establish the right to receive a fair price for my property.

Your serious attention to my position, as well as to that of those many other royalty owners like me, is appreciated, requested and demanded.

Very truly yours,

THOMAS C. PETLEY.

Senator BENTSEN. Our next witness will be Ms. Dorothy Barker.

STATEMENT OF DOROTHY BARKER

Mrs. BARKER. My name is Dorothy Barker. I am married to H. B. Barker. We are farmers. I am a homemaker.

I am the daughter, the granddaughter, and the daughter-in-law of early pioneers in west Texas.

I am presently serving on the Texas State Democratic Committee as committeewoman from Senate District No. 28. I am also county democratic chairman, Cochran County, Tex.

Before you stone me to death, let me tell you, you whose party is without sin, to cast the first stone.

I would also like to add that in 1976 I was a delegate to the Texas State Democratic Convention for Senator Bentsen for President.

My district includes 13 counties: Lubbock, Ector, Odessa county seat, Andrews, Gaines, Yoakum, Terry, Lynn, Borden, Martin, Dawson, Crosby, and Cochran.

I am here today—we have brought with us from Lubbock around 50 people, who feel as everyone else who has spoken here today.

My testimony has been given over and over.

But I would like to add another little different angle.

I am here today to speak for the people of my area who are unable to be here. They have chosen me because of my Democratic alinement with Texas.

They are disturbed about the party. I am disturbed about our party. We are disturbed about our country.

Many of these are elderly and disabled. I have the names of these people that I want to leave here with my testimony.

The economy of my area is based primarily on agriculture and oil.

Both are in serious trouble due to the severe drought we are now experiencing, poor agricultural programs and policies of this administration and now the windfall profit tax.

The so-called windfall profit tax is causing devastation to these eople. Many are retired and living on fixed incomes.

They are already suffering from the ravages of inflation. Now their oyalty interest checks have been cut an average of 36 percent, some 0 percent, some 60 percent. It depends on the tier of oil their royalty s in.

Oil companies are reaping windfall profits from these elderly eople.

Why penalize the elderly retired and disabled who must have this mall royalty check to make ends meet? [Applause.] Most of these eople are unprepared for this unexpected cut in their income

Surely, those in places of authority who support the windfall profit ax did not realize the impact on these who are least able to handle it.

In the words of the immortal Ralph Waldo Emerson, "we do not ount a man's years until there is nothing else to count."

Thank you. [Applause.]

Senator **Bentsen**. Our last witness is Mr. Ridge Pate from the exas Farm Bureau.

STATEMENT OF RIDGE PATE

Mr. **Pate**. Senator Bentsen, Senator Boren, Texas Farm Bureau s an independent organization composed of 249,210 families, many f whom are royalty owners and some of whom are here today.

These families are at the same time members of any one of 214 ndependent county farm bureaus.

Texas Farm Bureau is affiliated with the American Farm Bureau ederation, which is a nonprofit organization with a 1979 memberhip of 3,198,631.

We really can't add a great deal to what has been said today. We o adhere to the—

We are really gratified to take part in this hearing and we appreiate the needs of the Senate.

This term "windfall profit tax," is a misnomer. The United States ode handily admits this.

The Senate of the United States has been insufficiently informed f it, but it doesn't appear that there are any more.

This tax is a Federal excise tax. In fact, it is a windfall revenue tax.

It is taxing one of the most essential commodities of this technologial era. Nevertheless, it is dependent as human societies always will be n an abundance of food, fiber, and other fruits of agriculture. The amaging impact of this excise tax is rather easy to determine. In the rst place it falls on the American public in general who will have to ay higher prices for products through scarcity—

The second bearers of the burdens of this tax are the surface owners f royalty interests in the production of crude oil.

We are very troubled by the definition of the term "producer" in the xisting Federal tax legislation. It means the royalty owners in Texas nd elsewhere are subject to statutory tax reporting obligations which re precisely the opposite of those intended by the Senate Finance ommittee prior to the passage of the Crude Oil Windfall Profit Tax ct of 1980.

To cite page 62, the Senate Report of 1979, "The committee s stitute requires that only a few hundred persons file tax returns a make tax deposits."

Citing written oral testimony from groups such as the Americ Petroleum Institute, which conservatively indicates that the windf profit tax, so-called, could generate in addition to massive Federal re enues, countless thousands of additional or supplemental retu throughout this Nation.

The cost of such returns is an undesirable cost of this excise tax.

[Applause.]

Mr. Pate. For all of these reasons, Texas Farm Bureau, agreei with the American Farm Bureau Federation, enthusiastically suppor the goals of Senate bill 2533. We are very appreciative of your effor in backing this bill. The passage of such a bill would be a small but critically necessary forced step toward the energy abundance whic the citizens of our Republic demand.

By removing inequities in the statute, and by furthering the initi legislative intention of many Congressmen, such a bill would provide model of fairness for the royalty owners in Texas and it would als help in preserving for citizens everywhere and for generations not y born the priceless heritage of liberty.

Thank you, very much.

Statement of Texas Farm Bureau

Texas Farm Bureau is an independent organization composed of 249,21 families in 1979. These families are at the same time members of any one of 21 independent county Farm Bureaus. Also, Texas Farm Bureau is affiliated by memorandum of agreement with the American Farm Bureau Federation, a no profit Illinois corporation with a 1979 membership of 3,198,631. Once a year, repr sentatives of the state Farm Bureau organizations affiliated with the America Farm Bureau adopt national policies reflecting a specific interest in the qualit of farm and ranch life, as well as a firm resolve to promote individual libert for every citizen in our Republic.

The American Farm Bureau Federation has approved two primary polici which address the central issue behind any discussion of the windfall profit ta These statements reads as follows:

(A) "To provide positive incentives for increased domestic exploration an development of oil and gas by the free enterprise system, we must . . . encourag capital investment in the development of domestic energy of all types. To achiev this end, Congress should encourage exploration and development through ap propriate incentives and avoid punitive taxes on the energy industry such as th so-called windfall profits tax".

(B) "Federal excise taxes should be limited to: (1) Nonessentials; and (2) User taxes, such as the tax on passenger transportation by air and taxes com mitted to the federal Highway Trust Fund".

These two national policies were endorsed at the American Farm Burea Federation's national convention in Phoenix, Arizona, January 5–10, 1980.

Texas Farm Bureau is gratified by the full expression of views which thi hearing has made possible. In particular, we appreciate the need of the Senat Finance Committee to be continually reminded that the term "windfall profi tax" is a misnomer. As 26 U.S.C. 4986(a) candidly admits—and as the citizen of the United States have been insufficiently informed—the tax is a federal excise tax. It is, in fact, a tax on one of the most essential commodities for this complex technological nation, which nevertheless is dependent, as human societies always will be, on an abundance of food, fiber, and the other fruits o agriculture.

The deleterious incidence of this excise tax is rather easy to determine. It falls, in the first place, upon the American public in general—who will have to pay higher prices for products whose scarcity is being guaranteed by governmental fiat. The second bearers of the burdens of this tax are the surface owners of royalty interests in the production of crude oil.

Leaving aside the statutory definition of "independent producer" for the purposes of the Internal Revenue Code, Texas Farm Bureau would like to advert to the breadth of the term "producer" itself. We submit that this term has been defined so broadly in existing federal tax legislation that royalty owners in Texas and elsewhere are subject to statutory tax reporting obligations which are precisely the converse of those intended by the Senate Finance Committee prior to passage of the Crude Oil Windfall Profit Tax Act of 1980.

Citing page 62 of Senate Report No. 96–394, November 1, 1979, "The committee substitute requires that only a few hundred persons file tax returns and make tax deposits". Although the tax goal of such a program is to keep filings at a minimum, the Finance Committee is currently receiving written and oral testimony from groups such as the American Petroleum Institute which conservatively indicate that the "windfall profit tax" will generate, in addition to massive government revenues, as many as a million additional or supplemental returns throughout this nation. The cost of such returns is an undesirable cost of the excise tax, as is the direct decrease in the paid royalties upon which the Committee has heard testimony.

There is an adage in politics that "half a loaf is better than none". However, when the loaves about which we are talking are the increasing supply of raw materials desired by the free and productive people of America, who would choose a taxed and punished half a loaf over the full loaf which a totally deregulated population, including farmers, ranchers, and independent energy explorers, would supply?

For all these reasons, Texas Farm Bureau, agreeing with the American Farm Bureau Federation, enthusiastically supports the goals of S. 2533, introduced by Senator Bentsen. Passage of a bill amending the Internal Revenue Code of 1954 to exempt independent producers and royalty owners from the windfall profit tax on the first 1,000 barrels of daily production might be a small but critically necessary first step toward the energy abundance which the citizens of our Republic demand. By removing inequities in the statute, and by furthering the initial legislative intention of many Congressmen, such a bill would provide a model of fairness for the royalty owners in Texas—and would also help in preserving, for citizens everywhere and for generations yet unborn, the priceless heritage of liberty.

Senator BENTSEN. I would like to turn now to my colleague, Senator Boren, for comments.

Senator BOREN. Mr. Chairman, I know we are almost through. Before the group leaves, I want to say again how much I appreciate all of you coming and I know some of you came a long distance.

It has been said indirectly here today, but I want to say again a couple of things that I want you to keep in mind.

We are here today because we're concerned about an energy policy for our country and protecting our national security. We are here because a lot of people have been very, very unfairly treated.

We are concerned about the hardship that is being caused, many of those people are dependent on that oil royalty income for the basic necessities of life. We have heard about people who are buying needed medication and paying mortgage bills. Those things are very, very important. I don't minimize those at all.

But I want us to also think about the broader nature of the fight that we are waging, the fight that you are waging.

That's why it is so important for you to continue and for you to explain to everybody who lives up and down your block and for you to talk to people in other States about it, family members and friends who may be scattered to the other end of the country.

We are not just talking about oil. We are not just talking about the income. We are not just talking about the interest of Texas, the interest of Oklahoma, the interest of the southwestern part of the United States.

If we allow this to go on, we are setting a precedent in this country, that if you are in a minority, if your particular region of the country happens to have only 10 or 20 of the votes in the Congress, or in the country, that whenever people want to find some way to foot the bill for the Government, that they can confiscate your private property. [Applause.]

We are talking about preservation of private property.

We are also talking about something else: Y'all know that we have got to somehow become energy independent in our country. We all know that it takes a lot of money to drill oil wells, gas wells, dig coal mines, build a solar energy plant or anything else.

If we allow the Government to take 90 percent of the capital that is available out of the pockets of the American people to help us produce more energy in this country and take it all and put it in the Federal Treasury, we are setting a precedent and the only ones left to have the money to do the job in this country to give us more energy are not the big private enterprises, it's going to be Government enterprise and let's make no mistake, this is a fight to preserve the enterprise system and let's never give up on it. [Applause.]

Mr. Chairman, I don't think anybody in Texas realizes this, but it is supposed to be done when you come from another State and you come from the home State of a fellow Senator, you are supposed to pay him compliments.

I think all of you would be surprised if I came down here and said that Senator Bentsen wasn't doing a good job. But, we are doing a heck of a fight on this.

We've got two choices: We can either give up or we can try and fight. One thing I can tell you about your Senator is this, and you probably know this better than I do. I have been observing since I've been on the committee with him.

He gets a little bit stubborn when he sets his head to something. I'll tell you what, he has his head set. I've seen him in the committees, trying to protect what he sees as the rights of all American people and especially the people in Texas.

I'm not going to give up and all I can say is that I want you to know that you not only have somebody stubborn from south of where I live, that I'm going to try to keep on fighting and I won't give up.

Senator BENTSEN. Senator Boren talked about a national concern and he is so right.

You take a situation like coal, which is terribly important as an energy resource of this country. But you don't see this kind of windfall profit tax on coal. For some reason when we get to oil and gas, the emotions run high and we have quite a fight on our hands.

This year we will import almost $90 billion worth of oil. Every barrel of oil that we encourage to be produced in this country means we're that much less dependent on the Mideast.

That means that much more independence for the United States of America.

And this windfall profit tax hurts the independence of this country.

Let me tell you that the bill that came out of the House of Representatives took the depletion allowance off on everything above the base price. Did you know that? Did you know that on the floor of the U.S. Senate, that the Senator from Vermont proposed the House provision that I had defeated along with the help of Senator Boren in the Finance Committee. After we had preserved the depletion allowance, he took us on the floor and we—well we beat him. We beat him on the floor of the U.S. Senate.

I was pleased to hear the statistics that were presented today so, that Members of Congress can understand what we are talking about and who we are talking about. These statistics cited that 78 percent of the royalty owners are getting under $100 a month from their royalty checks. That lets Members of Congress understand the importance of this to retired people, to people with modest incomes.

Now, I think this hearing has been enormously beneficial with information, with advice, and with examples.

I don't want to tell you that we're going to solve the problem overnight. As meritorious as our case is, we will have a big job getting this message across to the nonproducing States and to the Congressmen from those States.

I am going to do my best to get this message across to other Members of Congress, and so is David Boren. Every place you can get this message across in those other States, will be enormously beneficial to us.

We are going to give it the very best we have. We will work to get an exemption for the royalty owners.

And with that, I want to say that we will take all of your statements. Anyone of you who has a statement to submit for the record, we would be pleased to have it.

If you have a letter that you want placed in the record, we can put it into the record so that the members from those other States can read it.

Please give it to us at this desk up here. Thank you very much for your attention. And with that, this hearing is adjourned.

[Whereupon, at 1:35 p.m., the hearing on the above-entitled matter was adjourned.]

[By direction of the chairman the following communications were made a part of the hearing record:]

CARRIZO SPRINGS, TEX., *July 7, 1980.*

Mr. MICHAEL STERN,
Staff Director, Senate Finance Committee, 2229 Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: The Crude Oil Windfall Profit Tax Act of 1980 has created a hardship on all small royalty owners.

I am a small royalty owner and I know of the hardship it has created for me and my family.

I violently oppose this law. I urge you to rescind this Tax law immediately.

Sincerely,

MRS. BINKY V. WITHERSPOON.

EAST BERNARD, TEX., *July 7, 1980.*

Mr. MICHAEL STERN,
Senate Finance Committee, 2229 Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: Please introduce this letter into your public record on July 17, 1980, in Austin, Texas. I am a royalty owner, my family owns royalty and I represent, as legal counsel, a number of land owners who have royalty interests.

I certainly believe that this bill is another blatant example of federal government over-kill. I do not particularly agree with the bill at all and I certainly disagree strongly with the bill as it affects royalty owners and the small independent operator that gross less than $2,000,000.00 or $3,000,000.00 per year.

Please advise Senator Bentsen that I appreciate his concerns on this matter and that I support his attempt to limit the coverage existing law.

Sincerely,

V. O. "BUTCH" CARDEN, Jr.

BELLEVUE, TEX., *July 7, 1980.*

Mr. MICHAEL STERN,
Senate Finance Committee, 2229 Dirksen Senate Office Building, Washington, D.C.

SIRS: This is a letter in protest to the Windfall Profits Tax on crude oil, since we are a family partnership royalty owner. We have been oil royalty owners for about 55 years, and we vehemently protest this unjust tax against our royalty. From our standpoint, we consider this tax as nothing short of stealing by the Federal Government. So we ask your committee to do away with this tax immediately against the royalty land owner.

Sincerely,

W. O. HODGES, *Manager.*

KAY'S AFFILIATED FOOD STORE,
Winona, Tex., July 7, 1980.

Mr. MICHAEL STERN,
Staff Director, Senate Finance Committee,
2229 Dirksen Senate Office Building, Washington, D.C.

It is my understanding that you will see that all correspondence in regard to this very unfair tax, will be considered at these hearings.

I am writing for myself and for my mother, Bettie Kay of R.#1 Winona, Texas 75792, who is Eighty Nine Years of age and it is now necessary that we have someone with her twenty four hours a day due to her health condition and I would like to say that she has as her main source of income a social security check in the amount of $297.00 per month and her royalty check from Atlantic Richfield Co. from the Joy-Wright Mountain field here in East Texas. Her checks for this year have been as follows $328.18, 356.10, 361.01, then cut to 215.44 and 206.98 you can see that this just will not make ends meet and it is a very hard tax on small Royalty Owners. My own checks in same field have been as follows $46.89, 51.58, 50.89, then cut to 30.77 and 29.57.

When this tax was passed and put into effect I feel that only a very small per cent of the people in this good old USA knew what it covered and who as it implied it was a tax on the excessive profits the large oil companies have been making however when you put this tax on them they just raise the end price of their products and the small Royalty Owner has no where to pass his tax on to, but instead is required to help pay for this tax put on the major companies when we must have their products or services.

I trust that you can see a way to see our side of this very unfair tax because as you have always known Large Companies and government don't pay taxes, only people pay tax and we feel this tax to be very unfair.

Thanks for your consideration, I am

Yours truly,

VICTOR P. KAY, Jr.

SNYDER, TEX., *July 7, 1980.*

STAFF DIRECTOR,
Senate Finance Committee, Room 2227 Dirksen Building.
Washington, D.C.

DEAR SIR: This is to register disapproval of the Windfall Profit Tax as it applies to the small royalty owner who is taxed out of proportion to the big oil sector.

The following signatures represent area persons who respectfully request that steps be taken during the upcoming Austin, Texas meeting to alleviate this unfair situation.

Very truly yours,

MINNIE FALLS.
Mrs. A. J. YOUNG.

[Mailgram]

CENTURY 21 DVORKEN & ASSOCIATE,
Wichita Falls, Tex., July 9, 1980.

MICHAEL STERN,
Staff Director, Senate Finance Committee,
2229 Dirksen Senate Office Building, Washington, D.C.

MR. STERN: Please bring to Senator Bentsen's attention our family's strong objection to the windfall profits tax. This so-called tax singles out a limited group of royalty owners who have no way of passing the tax on to the eventual consumer. The tax is non-productive and extremely punitive. My 92 year-old mother-in-law supports herself on a small pension from teacher retirement and her royalty check. To take $100 to $150 from her each month deprives her of over 20 percent of her income and is the difference between independent dignity and dependence upon others for her financial support. No one likes to be taxed. Americans have always paid taxes with a willingness displayed by no other nation in the world. However, this tax has been foisted upon those of us living in the oil producing States in order to pay for welfare and other programs for people in non-oil States. The Senators from New York, New Jersey, and Massachusetts, etc. would not have voted for this unfair tax if they had oil. I hope you can convince Congress to reconsider this tax especially for royalty owners. Sorry I can't be in Austin for the hearing in person. Thank you.

HENRY J. DVORKEN.

STRAWN, TEX., *July 4, 1980.*

MICHAEL STERN,
Staff Director, Senate Finance Committee,
2229 Dirksen Senate Office Building, Washington, D.C.

DEAR SIR: The windfall profits tax is nothing more than Government confiscation of private property. We want it eliminated, both for royalty owners and oil producers.

Today is July 4, the day we celebrate as the day of American independence and freedom. It is unbelievable that a "law" such as the "windfall profits tax" could exist here in the United States. Abolish it!

Sincerely,

GLEN BALL.

1. What about DOE government suits against some of the larger companies saying they charged the public too much during the last five years due to changing regulations?
2. Some royalty owners have already been advised that if the government wins these suits, they will have to pay their proportionate share retroactive for 5 years.
3. I think they should be exempt from these suits and also on the windfall tax completely.
4. If they won't listen in the North and the East, then I think we should cut off their supply for a "strike" period or even I'm thinking of sabotage if they won't listen.
5. Thank you Senators Bentsen and Boren for your hearing.

——— ———.

STATEMENT OF HON. JOE WYATT, JR.

I wish to commend Senator Bentsen for calling this meeting and state that the nation has no greater champion in the field of energy independence than he. I would like to keep my statement short and merely have read excerpts of my comments delivered on the floor of the U.S. House of Representatives March 13, 1980, upon consideration of the Conference Committee Report on H.R. 3919.

I quote from the Congressional Record:

"Such legislation sets the worst type of precedent because, in effect, we are confiscating the property of citizens who are already being taxed on their income. I speak of the royalty owners who do own the minerals as well as their land. This tax will unfairly cause oil—with the same value to energy consumers—to be taxed at alarmingly different rates. This takes a ridiculously unfair situation and magnifies the discrimination.

"Further, this legislation, which is deemed in so many people's minds to be punitive in regard to perceived excess oil company profits, does not accomplish this purpose. It will most seriously affect royalty owners . . ."

I stand by that statement and wish to pledge my continued support for any reduction in the Windfall Profits Tax.

TESTIMONY BY LUCIUS C. GEER, CHAIRMAN, PUBLIC INFORMATION COMMITTEE, HOUSTON CHAPTER, SOCIETY OF INDEPENDENT PROFESSIONAL EARTH SCIENTISTS

Senators Bentsen, Boren, and Dole, your professional staffs, visitors, royalty owners and producers: I am Lucius C. Geer, geologist and independent producer from Houston, Texas. I represent myself and am speaking for myself and the Houston Chapter of the Society of Independent Professional Earth Scientists (S.I.P.E.S.) over 100 independent oil operators strong. This society with nearly 1000 businessmen nationally, consists of the leading independent and consulting earth scientists in the country who are survivors of a once healthier independent oil industry. Our members average over 30 years of experience in their lifelong chosen professions as geologists, geophysicists and petroleum engineers. Each of these 1000 members averages drilling, or causing to be drilled, some seven exploratory wells per year. The group total comprises 57 percent of the national total and 67 percent of the total exploratory wells drilled by all independents.

The Society of Independent Professional Earth Scientists (S.I.P.E.S.) welcomes the opportunity to address themselves to certain aspects of a new excise tax styled windfall profits tax, the largest single tax ever levied upon America. It was our understanding that this tax was to be placed upon "big oil companies", the national and multi-national oil companies who also refine and market. Now after the taxes' imposition one can clearly see that most of the tax burden for these large companies has been passed along as cost of product to—guess who—John Q. Public.

Congress implied that they wanted to tax "big oil" but in fact taxed the public. Now consider the landowners, royalty owners and independent operators. Just how is that portion of the so called windfall profits tax paid and by whom? Having no refineries and no filling stations, the small landowners, the small royalty owner and the small independent oil operators get taxed and "biggies" don't. To each of these categories of people the tax is not only unjust but it is absolutely confiscatory.

I'm certain that, by this time, everyone has heard about the Kansas farmer who had a $400 per month royalty check reduced to $250.00 by the windfall profits tax. He now, at age 71, mows lawns to provide the additional income that he needs to live. This is truly a tragic situation and it should be corrected.

Next consider the landowners and royalty owners whose investments were made partially or completely to participate in the free enterprise business of commodity production ownership. Why is he singled out for this onerous excise tax?

Finally consider the professional who averages five years plus at the college level and 30 years in his profession and who gets no salary for his efforts. This productive oil finder has just been given a "pay cut" of approximately 35 percent simply because he happens to be in the oil producing business. We in S.I.P.E.S. feel that domestic oil exploration is vital to the corection our severe balance of payments problem, indeed even to the short and long term survival of our nation as we now know it.

Accordingly we heartily endorse legislation that would remove the windfall profits tax from the first one thousand (1,000) barrels of oil per day of production for independent operators, landowners and royalty owners.

Please carefully note the effect of not doing this. Independents will be forced to drill fewer wells, thus finding less oil and correspondingly again increasing our dependence no foreign crude.

STATEMENT BY KAY BROWN OF SEMINOLE, TEX.

I pulled bolles for thirty-five cents a hundred to help my daddy pay this little farm that he left me a portion of the royalty. I am now 67 years old, my royalty income was less than $3,000.00 for the year of 1979, and I do not feel that I owe such an unjust tax on my depleting royalty.

STATEMENT OF MELVIN BROWN OF SEMINOLE, TEX.

I have worked hard many long days and nights to save up a little for my older age days. I chose royalty as one of more affordable ways to accumulate a little security and now I find my government confiscating one-third of my small check that will completely stop before I reach the age of my grandfather. I do not think the wind-fall profit tax was understood by the majority that passed the law. I appreciate Senator Bentsen efforts to change the application of the law. Any help I can be just call 915-758-5625.

EDNA, TEX., *July 14, 1980.*

Hon. LLOYD BENTSEN,
Federal Building,
Austin, Tex.

DEAR SENATOR: Enclosed please find a resolution passed by the Jackson County Commissioners Court on July 14, 1980, concerning the Windfall Profit Tax and its effect that it is having on our local tax effort.

It has only occurred to us what the application has done to the local budgets. We have had in actual loss of tax values approximately 30 percent.

In Jackson County 75 percent of our taxable value is the oil and gas industries. Our Oil and Gas appraisers, Thomas Y. Pickett have had to include in their appraisal, a factor to compensate for the tax to the oil companies. Therefore this has reduced the tax base from what it would be at 100 percent market value.

The most inequitable part of the tax provision is the amount of tax levied against the royalty owner. We were to understand that the royalty owner would share in the levy, but in proportion to the producer. In actual application we find that the royalty owner is taxed from 40-70 percent, in other words from 30-100 percent more than the producers. Further explaining the inequity of this is that he pays his regular federal tax, Windfall profit tax and again after January 1 he pays an income tax.

This greatly reduces his ability to pay his local advalorem taxes to counties, school district's and other taxing entities that provide a direct service to him and local citizens.

While this levy sounded good to the Congress as a way to balance the budget and slow inflation on oil, I wonder if they considered what effect it would have on grass roots government and the individual.

We call upon you and the Texas delegation to use your influence to repeal this most unfair piece of legislation.

Yours very truly,

SAM D. SEALE,
County Judge, Jackson County.

RESOLUTION

Whereas, the Federal Government, through action of Congress has levied by law a Special Tax known as the "Windfall Profit Tax"; and

Whereas, the Windfall Profit Tax is imposed on the production and sale of oil; and

Whereas, the Windfall Profit Act applies to the Producer and to the Royalty Interest; and

Whereas, there is unequal application of the levy—There being a average tax on producers of much less than the royalty owner; and

Whereas, the Producer of Stripper oil is taxed an average of 30 percent on the "Windfall" and 70 percent on the royalty owner; and

Whereas, the owner of royalty interests will be assessed three times by the Federal Government for the same barrel of oil; and

Whereas, the taxation of Windfall Profit to the royalty owner is grossly out of line from any other product that inflation has caused to increase drastically; and

Whereas, the Windfall Profit Tax has had an effect of usurping local taxing agencies and depriving those agencies of much needed income to provide for their constituents; and

Whereas, the Windfall Profit Tax will have the effect of reducing County Budgets; and

Whereas, the royalty owner taxpayer will have much less of his royalty income to pay his local taxes; and

Whereas, the loss experienced by the counties and other taxing agencies will greatly curtail services; and

Whereas, the implication of the Windfall Profits Tax has no practical nor logical reason to be levied, other than to attempt to balance the Federal Budget; and

Whereas, this effort has caused and will continue to cause grave hardship on local governments, individuals, school districts, and municipalities, therefore let it be

Resolved, That the Commissioners Court of Jackson County meeting in Regular Session July 14, 1980 petitions the United States Congress to recognize the consequences of its acts implementing the Windfall Profit Tax, and the hardship that it has caused the citizens of this county and State of Texas and

Therefore the Commissioners Court of Jackson County calls upon the Texas Senators and Representatives of the United States to rescind this unfair, unjust and capricious tax levy as quickly as possible.

WHEREAS, landowners, ranchers, farmers and others were led to believe that the windfall profits tax would effect only the major oil companies, and

WHEREAS, this tax has instead been written to include thousands of royalty owners living on fixed incomes, retired in rural areas, farmers, ranchers and city dwellers who will be unable to continue their present way of life because of serious reductions in their income, and

WHEREAS, most of the revenue collected from the windfall profits tax will come from the citizens of the State of Tex*s, therefore,

We the undersigned do hereby support legislation to exempt royalty owners from this unfair tax, and

Wish to go on record urging Congress to take immediate action and pass Sen. Bentsen's legislation exempting royalty owners from the windfall profits tax.

Name	Address
Mr & Mrs E.H Dreenow	Box 147 Lolita, TX
Mary L. Foels	Box 71 Lolita TX
M & M Lacy M. McKey	Box 22 Lolita, Tex.
Mr. + Mrs. Thomas Hensley Weaver	Rt. 3 Box 73A Port Lavaca, Tex.
Leila H. Weaver	- Rt 3 - Box 61 - Port Lavaca, TX 77979
Susan D. Hartman	Box 732 Port Lavaca, Tx 77979

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We the undersigned do hereby support legislation to exempt royalty owners from this unfair tax, and

Wish to go on record urging Congress to take immediate action and pass Sen. Bentsen's legislation exempting royalty owners from the windfall profits tax.

Name	Address
Johny R. [illegible]	509 Duggar, Edna, Texas
Gene C. Ratliff	604 Wilson, Edna, Tex 77957
[illegible]	703 Miriam - Edna, Tex. 77957
Richard Cooper	Rt. #1 Box 120C Edna, Tex 77957
[illegible] Stafford	508 S. Gilbert · Edna, TX 77957
Allen E Stafford	Star Rt. Edna, Tex 77957
Pete Laijden	504 S Gilbert Edna Tex 77957
A.R. Vinick	Rt. 1 Box 102 Edna Tx 77957
M.M. Brock	DRAWER E GANADO, TEX 77962
[illegible] Deale	115 W. Main Edna, TEX
Mitchell Ranch	Box 177 Lolita — Tex —
[illegible]	Rt. 1 Box 576 . Edna Texas 77957
Victor H. Theurich	P.O. 700 Edna, ~~Texas~~ 77957

WHEREAS, landowners, ranchers, farmers and others were led to believe that the windfall profits tax would effect only the major oil companies, and

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Wish to go on record urging Congress to take immediate action and pass Sen. Bentsen's legislation exempting royalty owners from the windfall profits tax.

Name	Address
W.C [illegible]	Edna, Texas
Gary West	Edna, Texas
[illegible] R. Daniels	Edna, Tex
[illegible]	Edna Tx
Genevieve Wolter	Edna Tx
Peggy S. Clark	Edna. Tx
Dorothy Botard	Edna, Tex
Kelley D. Kahanek	Edna, Tex —
Sylvia Figueroa	Edna, Tx.
[illegible] R. Wittenberg	Edna, Tex
[illegible]	Edna, Tx.
Yvonne Long	Edna, Texas
Maxine Carroll	Edna, Texas

715 S. Bridge
VCT 77901

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Wish to go on record urging Congress to take immediate action and pass Sen. Bentsen's legislation exempting royalty owners from the windfall profits tax.

Name	Address
Mrs. Roy Moody	Lolita, Texas
R W Moody	Lolita, Texas
Clarence J. Hafernick	Lolita, Tx
D. W. Thedford	Lolita Tex.
[illegible] Hefford	Lolita Tex
E. M. McDowell	Edna, Tex.
Sam Allen	Lolita Tex
Arthur F W Luke	Lolita Tx
J. T. Landrey	Lolita, Tex
S. H. Jarrett	Edna, Texas
Roy Selby	Ganado, Texas
George Marlow	Ganado, Texas
Johnnie Zajicek	Ganado Texas 7796
A. E. Wilkinson	Edna Tex 77957
H. E. Wiegand	Edna Tex 77957

CUERO, TEX., *July 16, 1980.*

Senator LLOYD BENTSEN,
Washington, D.C.

DEAR SENATOR BENTSEN: My mother, who is an 84 year old widow, receives a monthly royalty check and a very small social security check. This is her means of support. The oilfield she receives her royalty checks from is an old field, therefore, old oil prices are being paid. The decontrol of prices has been so slow, taxes, food prices, utilities, drug bills, upkeep on her home have continued to climb, that no gain has been made in her income. Not only does she pay federal, county and school taxes on this oil, now she must pay a windfall profits tax. Her income is steadily being eaten up with more taxes, while she must continue trying to maintain her standard of living.

I think the windfall profits tax is unfair to royalty owners and should be changed.

Sincerely,

MRS. ARNELDA CARTER.

MOUNTAIN VIEW, CALIF., *July 10, 1980.*

Mr. ROY WHEELER,
President, Independent Cattlemen's Association, Inc.,
Austin, Tex.

MR. ROY WHEELER: It is good you and Honorable Lloyd Bentsen are working to try to exempt royalty owners from the Windfall Profit Tax.

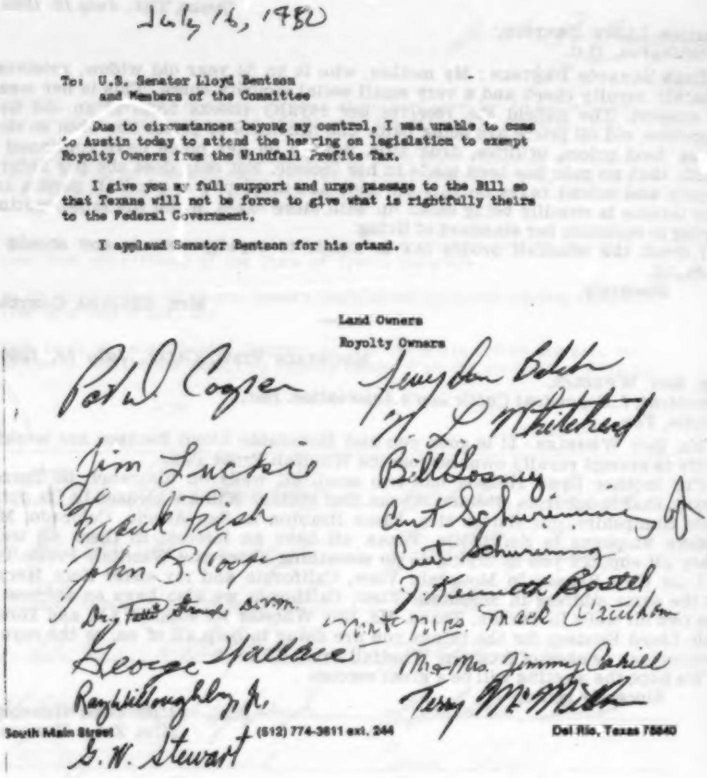
Our brother Lynn Henson has two small oil wells on his ranch in Tarzan, Texas, that is out from Midland, Texas. Our brother William Henson in Hampton, New Hampshire, our sisters Mrs. Erma Branton in San Acacio, Colorado, Mrs. Eldora Stephens in Smithville, Texas, all have an interest in these oil wells. They all support you in trying to do something about the Windfall Profit Tax.

I am Cleo Henson in Mountain View, California and my sister Zeta Henson at the same address in Mountain View, California we also have an interest in the two oil wells in Tarzan, Texas. Mr. Roy Wheeler we support you and Honorable Lloyd Bentsen for the things you are doing to help all of us, so the royalty owners may be exempt from the Windfall Profit Tax.

We hope the meeting will be a great success.

Sincerely yours,

MISS CLEO HENSON.
MISS ZETA HENSON.



July 16, 1980

To: U.S. Senator Lloyd Bentsen
and Members of the Committee

Due to circumstances beyong my control, I was unable to come to Austin today to attend the hearing on legislation to exempt Royolty Owners from the Windfall Profits Tax.

I give you my full support and urge passage to the Bill so that Texans will not be force to give what is rightfully theirs to the Federal Government.

I applaud Senator Bentsen for his stand.

Land Owners
Royolty Owners

Pat W. Cooper
H. L. Whitehead
Jim Luckie
Bill Goaney
Frank Fish
Curt Schwinning
John B. Cooper
Curt Schwinning
J. Kenneth Bostel
Dr. D.V.M.
Mr. & Mrs. Mack Crutcham
George Wallace
Mr. & Mrs. Jimmy Cahill
Ray Willoughby Jr.
Terry McMillan
G. W. Stewart

South Main Street (512) 774-3611 ext. 244 Del Rio, Texas 78840

BRYANS MILL ROYALTY OWNERS ASSOCIATION,
Bryans Mill, Tex., July 13, 1980.

HON. LLOYD BENTSEN,
Washington, D.C.

In regards to your interest in repealing the "Windfall Profits Tax" from th individual royalty owners: this group consisting of 124 members is in comple agreement.

In a called meeting of this organization the following resolution wa unanimously agreed upon:

Be it resolved that the Bryans Mill Royalty Owners Association is in com plete agreement with your committee's efforts to have the Windfall Profits Ta removed as we consider this tax unfair and an inequitable tax.

Sincerely yours,

CARL FROST, *President.*

O. A. Fulcher, 520 West 4th Street, Odessa, Tex.
H. D. Abston, Route 3, Naples, Tex. 75568
J. R. Crowder, c/o Crowder Insurance Agency, Texarkana, Tex.
James C. Roberts, 2016 Main Street, Suite 1800, Houston, Texas 77002
Harlie L. Clark, Citizen National Ba Building, Tyler, Tex. 75701
Raymond Arsht, 1212 Main Stree Suite 925, Houston, Tex. 77002
Ivan Dorsett, Atlanta, Tex. 75551
Joseph Frost, 2 Knights Bridge Roa Texarkana, Tex.

Carl Frost, Route 1, Douglassville, Tex. 75560
Gordon Fulcher Estate, Naples, Tex. 75568
Welborn Griffin, Route 1, Douglassville, Tex. 75560
Leo McCoy, Route 3, Naples, Tex. 75568
Jimmie F. Thompson, Atlanta, Tex. 75551
W. N. Dorsett, 106 S. Bolivar Street, Marshall, Tex.
W. H. Bowden, 6463 Crestmore Road, Fort Worth, Tex.
Jamie Brabham, Route 3, Naples, Tex. 75568
G. A. Ritnour, 1503 Edgewood Drive, Tyler, Tex. 75701
Fulcher Store, Naples, Tex. 75568
H. D. Fulcher Estate, Naples, Tex. 75568
Mary B. Fulcher, Box 238, Naples, Tex. 75568
Roy Frost, Route 1, Douglassville, Tex. 75560
L. F. Maxwell, Route 3, Naples, Tex. 75568
Trust Department, The First City National Bank Building, Houston, Tex. 77002
O. L. McCoy, Route 3, Naples, Tex. 75568
J. A. Zimmerman, Route 1, Douglassville, Tex. 75560
James Alan Reed, 2418 Pine Street, Texarkana, Tex.
Luther A. Reed, 2418 Pine Street, Texarkana, Tex.
Mrs. Lillian M. Reed, 2418 Pine Street, Texarkana, Tex.
Mrs. Kidwell Robinson, Route 1, Douglassville, Tex. 75560
Alice Turner, 541 East Hiram Street, Atlanta, Tex. 75551
James W. Frost, 408 Collier Street, Jasper, Tex.
E. M. Young, The First National Building, Oklahoma City, Okla.
Eva Fulcher Cude, 4117 Stanford, Dallas, Tex.
Hugh H. Grant, 409 I.O.O.F. Building, Bradford, Pa.
Jack Peterson, P. O. Box 1106, Kilgore, Tex.
D. L. Haygood, Route 1, Box 363, Kaufman, Tex. 75142
Mrs. W. H. Morgan, Naples, Tex. 75568
Robert Brabham, Willis, Tex.
Mrs. Hugh Frost, Route 1, Douglassville, Tex. 75560
Mrs. C. D. Goodnight, P.O. Box 98, Holland, Tex.
R. Hardy, Atlanta, Tex. 75551
V. S. Pruitt, Atlanta, Tex. 75551
Mr. & Mrs. Robert W. McMahan, 4209 Markins Drive, Corpus Christi, Tex.
Carl P. Fluger, Eden, Tex.
Lucia Z. Palmer, c/o J. A. Zimmerman, Route 1, Douglassville, Tex. 75560
James Austin Frost, Route 1, Box 5–C, Midland, Tex.
Mr. & Mrs. Floy McWilliams, Atlanta, Tex. 75551.
Fred Zimmerman, Route 1, Marietta, Tex. 75566
Mrs. Austin Frost, 4209 Markins Drive, Corpus Christi, Tex.
James Richard Moore, Daingerfield, Tex. 75638
McDonald Brothers, Atlanta, Tex. 75551
Charles C. Sorrels, 2500 Fidelity Union Tower, Dallas, Tex.
Nat Curtwright, Atlanta, Tex. 75551
Sabine Royalty Corp., 1210 Mercantile Bank Building, Dallas, Tex.
The Anna W. Giller Trust, El Dorado, Ark. 71930
Mrs. Era Allsup, 5730 Linden Shire Lane, Dallas, Tex.
David B. Allsup, 426 Main Street, Ranger, Tex. 76470.
Mamie F. Farrier Trust, Omaha, Tex. 75571
J. B. Watson Jr., Box 1128, Kilgore, Tex.
Rowe Curtwright, Atlanta, Tex. 75551
C. B. Woodard, 8 Sandy Lane, Palestine, Tex. 75801
Bracken Oil Co., c/o Meridith, Box 2050, Dallas, Tex. 75221
Paul H. Pewitt, 405 Southwest Reserve Life Building, Longview, Tex.
Bessie Stewart, 7226 Glendora Street, Dallas, Tex.
Sammie B. Burton, Route 1, Mount Pleasant, Tex.
N. Maxwell Goodloe, 3652 Ella Lee Lane, Houston, Tex.
Miss Mary Robinson, Atlanta, Tex. 75551
Jimmie Harrison, Route 3, Naples, Tex. 75568
Stanley and Valeria Jankowski, P.O. Box 426, DeKalb, Tex.
Webber W. Beall, 103 South Madison, Mount Pleasant, Tex.
Fannie Black Franklin, Route 1, Box 58, Naples, Tex. 75568
Bryan Cameron, Route 3, Naples, Tex. 75568
Mrs. John H. Sutton, Route 1, Ridgeway, Colo. 81432
C. W. Fulcher, Apartado 474, Tampico, Tamps, Mexico
C. W. McCoy, Douglassville, Tex. 75560
J. Taylor Hood, 417 Hummingbird, Atlanta, Tex. 75551
Mrs. Henry C. Fulcher, 1818 Woodrow, Witchita Falls, Tex.
W. B. Allsup, Route 3, Box 153–B–25, Nocona, Tex. 76255

Dewitt Howard, Route 3, Naples, Tex. 75568
Orville Walden, Route 3, Naples, Tex
Mrs. A. A. Hummel Estate, Naples, Tex.
Springhill Colored Church, Route 1, Douglassville, Tex. 75560
Mrs. Henry Davis, Marietta, Tex. 75566
Mr. Henry Davis, Marietta, Tex. 75566
J. W. Bryan Estate, Route 1, Douglassville, Tex. 75560
Veneta Bryan, Naples, Tex. 75568
W. C. Stevens, Omaha, Tex. 75571
Mrs. Laura H. Beall, 1218 South Jefferson Street, Mt. Pleasant, Tex.
Webber W. Beall Jr., 2500 Fidelity Union Tower, Dallas, Tex.
M. H. Marr, 2500 Republic National Bank Building, Dallas, Tex.
C. H. Griffin, Route 3, Naples, Tex. 75568
W. W. Welch, 3219 Timberline Drive, Tyler, Tex. 75701
K. Hughes, 828 Fair Foundation Building, Tyler, Tex. 75701
C. O. Pollard, Box 3564, Tyler, Tex. 75701
R. B. Powers, Box 3564, Tyler, Tex. 75701
Lake Employees Trust, Citizens First National Bank Building, P. O. Box 179, Tyler, Tex. 75701
J. Lawrence Neil, Tyler Bank And Trust Co., Tyler, Tex. 75701
Robert P. Lake, Citizens First National Bank Building, Tyler, Tex. 75701
J. Burns Brown & Wathburn Oil Co., Box 908, Tyler, Tex. 75701
E. Fred Herschbach, Fair Foundation Building, Tyler, Tex. 75701
Art Detwiler, P. O. Box 751, Atlanta, Tex. 75551
Richard C. Latham, 2930 Turtle Creek Plaza, Suite 111, Dallas, Tex. 75219
John Bryan, Naples, Tex. 75568
Mrs. Virginia Dixon, Naples, Tex. 75568
William Turner, 541 East Hiram Street, Atlanta, Tex. 75551
Henry C. Adams Jr., 1600 First City National Bank Building, Houston, Tex.
Inlan Oil & Gas Co., c/o Henry C. Adams Jr., 1600 First City National Bank Building, Houston, Tex.
J. C. Dawson Jr., Special, First City National Bank Building, Houston, Tex.
B. F. Kessler, First City National Bank Building, Houston, Tex.
Richard Burke, Tyler, Tex. 75701
C. P. Chisholm, Miller American Building, Houston, Tex.
C. C. Giles, Box 111 G, Route 7, Tyler, Tex.
Keith Allsup, Route 1, Douglassville, Tex. 75560
Ross Walker, 536 Park Heights Circle, Tyler, Tex. 75701
Douglassville School District, Douglassville, Tex. 75560.
Allen K. Dunkerly, Suite 405, Shell Building, Houston, Tex.
Union Chapel Methodist Church, Route 1, Douglassville, Tex. 75560
Mrs. R. L. Collins, 406 Houston Street, Fort Worth, Tex.
J. Hunt Robertson, Atlanta, Tex. 75551
Mrs. Vivian Y. Scott, Mount Pleasant, Tex.
Ralph Howell, Tyler Bank & Trust Co., Tyler, Tex. 75701
Mrs. H. S. Robertson, Route 1, Douglassville, Tex. 75560
Mrs. Art Detwilee, P.O. Box 751, Atlanta, Tex. 75551

DR. W. H. SORENSON,
Port Arthur, Tex., July 15, 1980.

Re Windfall profit tax.

MICHAEL STERN,
Committee on Finance, Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: I shall submit an example of the unjust windfall profit tax that has been imposed on the public without their sanctions.

About two years ago a group of us drilled two wells in Wheeler County, Oklahoma. They were considered wildcat tests. Namely Calcote well and the Blonsteins. I owned a ten percent working interest and the total cost was a few dollars under one hundred thousand apiece.

The Calcote well produces six barrels of oil daily. The Blonstein produces about seventy barrels daily. Calcote income for the month of March 1980 was four hundred ninety four dollars and forty-nine cents ($494.49). The windfall profit tax was two hundred ninety one dollars and eighty-one cents ($291.81). The operating cost were five hundred forty nine dollars and thirty-six cents ($549.36) which leaves a loss of three hundred forty six dollars and seventy cents ($346.70) for the month. Calcote income for April was five hundred twenty-eight dollars and eighty two cents ($528.82). The windfall profit tax was seventy six dollars and eighty cents ($76.80). The operating cost were seven hundred sixty three dollars and eleven cents ($763.11), leaving an operatng loss of three hundred eleven dollars and eight cents ($311.08) for the month of April.

I have instructed Williams Production Company to plug this well and salvage what we can.

This windfall profit tax in my opinion is unconstitutional and definitely blocks and stifles any one from investing in speculative drilling when you have a double taxation, windfall tax as well as severence tax to pay. The windfall profit tax will cause many wells to be plugged and will not aid in the search of needed energy for our country and it is an unjust tax on individuals willing to risk investing their money and savings in search for hydro-carbons.

In my opinion the Government should encourage oil operators to nurse noncommercial wells and pay higher prices for oil produced from these wells instead of robbing them of a portion of the production.

A corollary to the windfall taxes would be as follows: If a Doctor would draw off a pint or more of blood from a dying patient it would certainly hasten the patient's demise. So it is with the windfall profit tax. Thousands of wells will be plugged and many investors heretofore willing to invest in this speculative business will hesitate to do so. This will not help the energy crisis.

We need leadership in Washington. Our lawmakers need to be appraised of the fact that this tax is ridiculous and should be outlawed. We are already paying a high severance tax as well as income tax on profits made in the oil business.

Should this country continue in the direction in which it is headed there will soon be a tax on the air we breathe. Americans must awaken and act to stop this ridiculous taxation.

I shall appreciate your help in this matter.

Sincerely,

W. H. Sorenson, D.O.

Enclosures.

July 8, 1980.

Re Calcote Wheeler Co., Texas.

Mr. Joe Maxey,
Williams Exploration Co.,
Tulsa, Okla.

Dear Mr. Maxey: Please find enclosed a check to cover the billings on the Calcote and the Blonstein wells for May 1980. In checking the expenses and income on the Calcote well, since it was brought under production, it definitely is a noncommercial well. There has been no increase in production. Unless Williams Exploration have any further plans to increase production I would be in favor of plugging this well, as I feel the costs of maintaining the present few barrels of production are exhorbitant.

I should also like a report on the present price that we are receiving per barrel for our production.

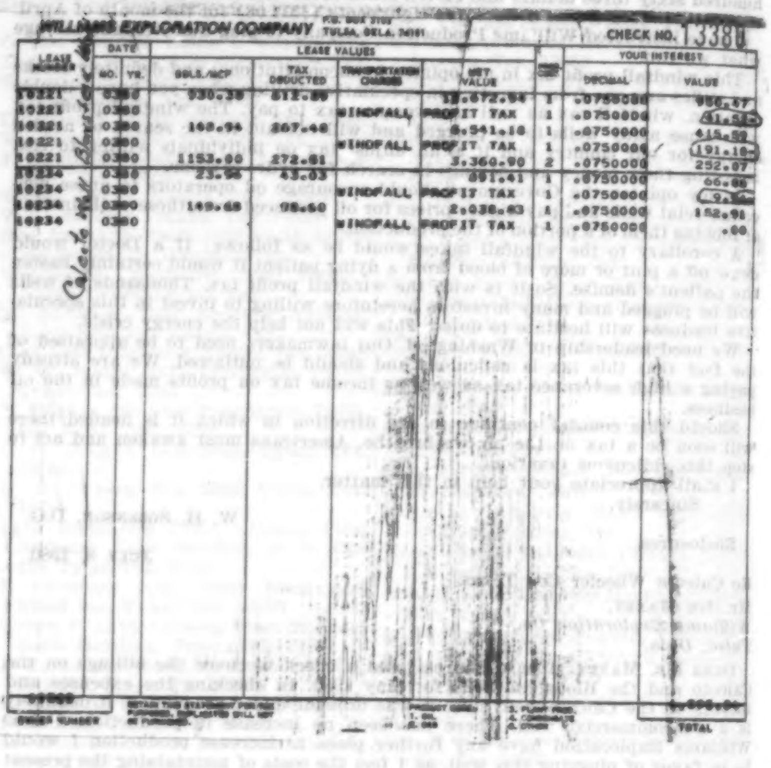
I would also appreciate a report on the shut in well in Sec. 3 drilled by Amerax. Are there any immediate plans to produce this well?

Mr. Maxey, I am addressing this letter to you as I am not aware of who is the General Manager of Williams Production Company since James E. Michaelson left the firm.

I shall appreciate hearing from you.

Yours very truly,

W. H. Sorenson.



WILLIAMS EXPLORATION COMPANY P.O. BOX 3102 TULSA, OKLA. 74101 CHECK NO. 3380

Check to W. H. Bonneau

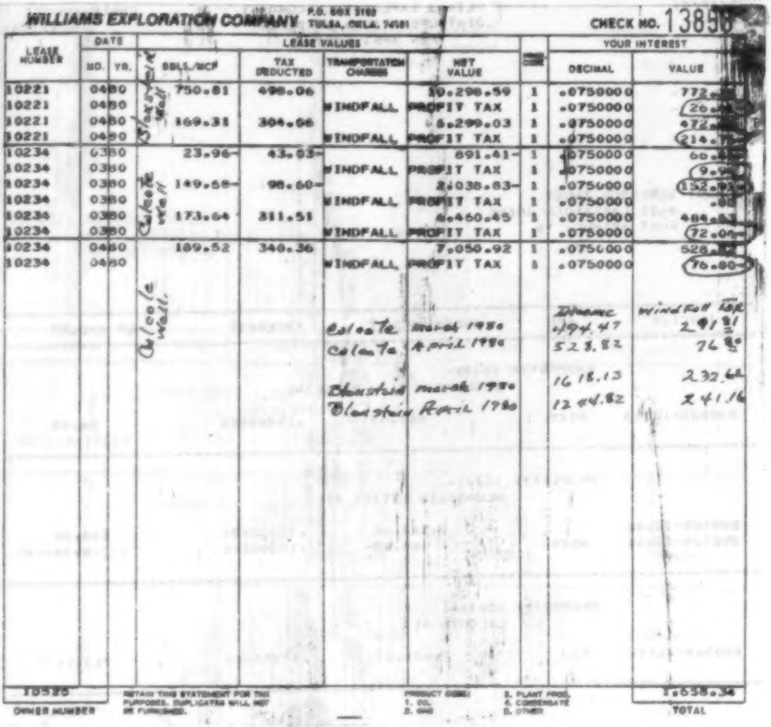
LEASE NUMBER	DATE NO.	DATE YR.	BBLS./MCF	TAX DEDUCTED	TRANSPORTATION CHARGE	NET VALUE	PROD. CODE	YOUR INTEREST DECIMAL	YOUR INTEREST VALUE
10221	03	80	930.38	812.85		12,672.94	1	.0750000	950.47
10221	03	80			WINDFALL PROFIT TAX		1	.0750000	81.52
10221	03	80	168.94	267.48		5,541.18	1	.0750000	415.59
10221	03	80			WINDFALL PROFIT TAX		1	.0750000	191.10
10221	03	80	1153.00	272.81		3,360.90	2	.0750000	252.07
10234	03	80	23.95	43.03		891.41	1	.0750000	66.86
10234	03	80			WINDFALL PROFIT TAX		1	.0750000	9.[illegible]
10234	03	80	149.68	78.60		2,038.83	1	.0750000	152.91
10234	03	80			WINDFALL PROFIT TAX		1	.0750000	.00

[illegible] OWNER NUMBER

DETACH THIS STATEMENT FOR RECORD PURPOSES. [illegible]

PRODUCT CODES: 1. OIL 2. GAS 3. PLANT PROD. 4. CONDENSATE 5. OTHER

[illegible] TOTAL



WILLIAMS EXPLORATION COMPANY P.O. BOX 3102 TULSA, OKLA. 74101

CHECK NO. 1385

LEASE NUMBER	DATE MO.	DATE YR.		LEASE VALUES BBLS./MCF	TAX DEDUCTED	TRANSPORTATION CHARGES	NET VALUE	CODE	YOUR INTEREST DECIMAL	YOUR INTEREST VALUE
10221	04	80	Blackstone Well	750.81	498.06		10,298.59	1	.0750000	772.[illegible]
10221	04	80				WINDFALL	PROFIT TAX	1	.0750000	26.[illegible]
10221	04	80		169.31	304.06		6,299.03	1	.0750000	472.[illegible]
10221	04	80				WINDFALL	PROFIT TAX	1	.0750000	214.[illegible]
10234	03	80	Calcote Well	23.96-	43.03-		891.41-	1	.0750000	66.[illegible]
10234	03	80				WINDFALL	PROFIT TAX	1	.0750000	9.9[illegible]
10234	03	80		149.58-	98.60-		2,038.83-	1	.0750000	152.9[illegible]
10234	03	80				WINDFALL	PROFIT TAX	1	.0750000	.00
10234	03	80		173.64	311.51		6,460.45	1	.0750000	484.53
10234	03	80				WINDFALL	PROFIT TAX	1	.0750000	72.04-
10234	04	80	Calcote Well	189.52	340.36		7,050.92	1	.0750000	528.[illegible]
10234	04	80				WINDFALL	PROFIT TAX	1	.0750000	76.80-

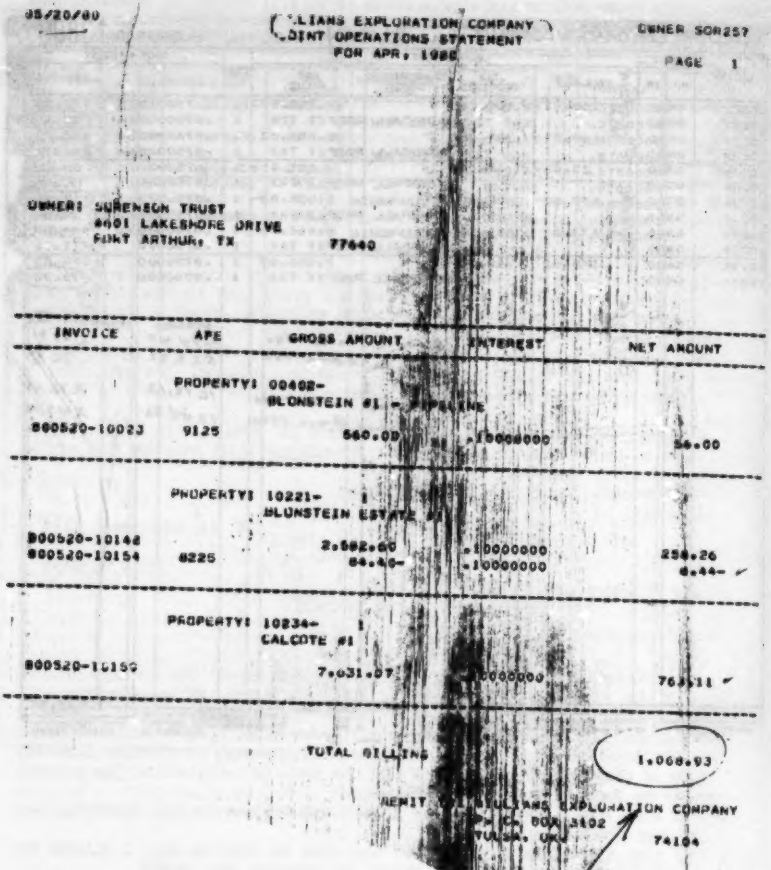
		Income	Windfall Tax
Calcote	March 1980	494.47	291.81
Calcote	April 1980	523.82	76.80
Blackstone	March 1980	1618.13	232.62
Blackstone	April 1980	1244.82	241.16

10525
OWNER NUMBER

RETAIN THIS STATEMENT FOR TAX PURPOSES. DUPLICATES WILL NOT BE FURNISHED.

PRODUCT CODE:
1. OIL
2. GAS
3. PLANT PROD.
4. CONDENSATE
5. OTHER

1,658.34
TOTAL



05/20/80

LIAMS EXPLORATION COMPANY
OINT OPERATIONS STATEMENT
FOR APR, 1980

OWNER SOR257
PAGE 1

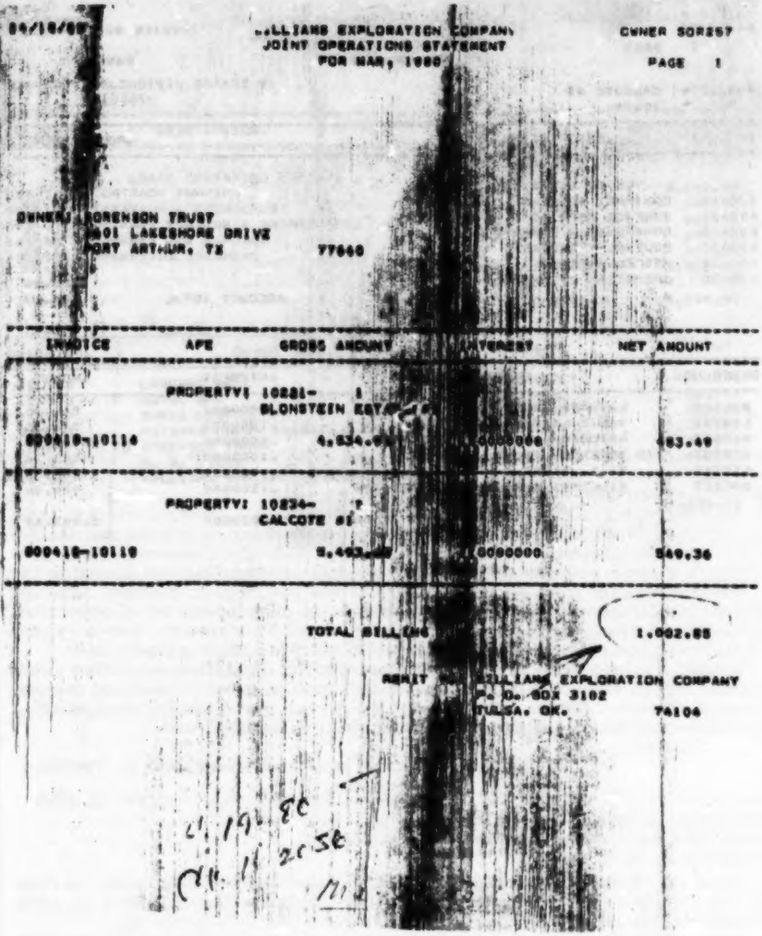
OWNER: SORENSON TRUST
4601 LAKESHORE DRIVE
PORT ARTHUR, TX 77640

INVOICE	AFE	GROSS AMOUNT	INTEREST	NET AMOUNT
		PROPERTY: 00402- BLONSTEIN #1 - PIPELINE		
800520-10023	9125	560.00	.10000000	56.00
		PROPERTY: 10221- 1 BLONSTEIN ESTATE		
800520-10148		2,582.60	.10000000	258.26
800520-10154	8225	84.40-	.10000000	8.44- ✓
		PROPERTY: 10234- 1 CALCOTE #1		
800520-10159		7,031.07	.10000000	703.11 ✓

TOTAL BILLING 1,008.93

REMIT TO: WILLIAMS EXPLORATION COMPANY
P. O. BOX 3102
TULSA, OKLA 74104

best copy available



04/18/80

WILLIAMS EXPLORATION COMPANY
JOINT OPERATIONS STATEMENT
FOR MAR, 1980

OWNER SOR257
PAGE 1

OWNER: SORENSON TRUST
[illegible]801 LAKESHORE DRIVE
PORT ARTHUR, TX 77640

INVOICE	AFE	GROSS AMOUNT	INTEREST	NET AMOUNT
		PROPERTY: 10221- 1 BLONSTEIN ESTATE		
800418-10114		4,534.[illegible]	[illegible]000000	453.49
		PROPERTY: 10234- 7 CALCOTE #1		
800418-10119		5,493.[illegible]	[illegible]000000	549.36

TOTAL BILLING 1,002.85

REMIT TO: WILLIAMS EXPLORATION COMPANY
P. O. BOX 3102
TULSA, OK. 74104

4/19/80
Ck. # 2056
Mu

04/18/80

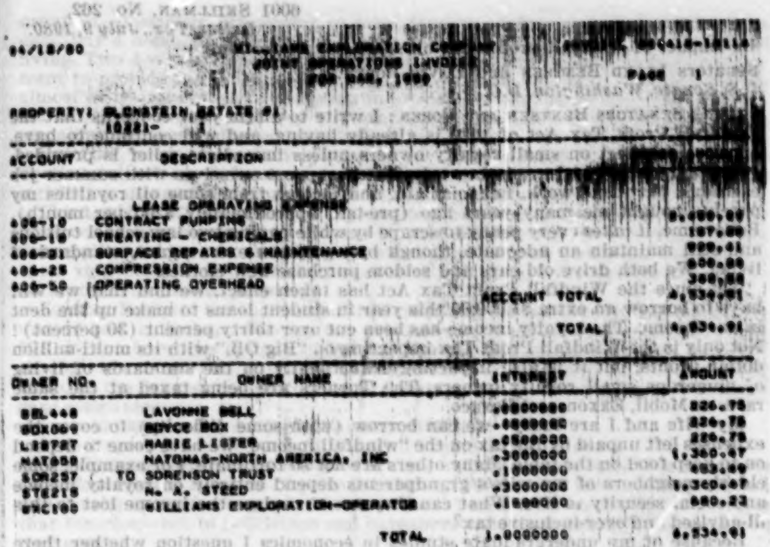
WILLIAMS EXPLORATION COMPANY
JOINT OPERATIONS INVOICE
FOR MAR, 1980

INVOICE 800418-10119
PAGE 1

PROPERTY: CALCOTE #1
10834- 1

ACCOUNT	DESCRIPTION		GROSS AMOUNT
	LEASE OPERATING EXPENSE		
406-10	CONTRACT PUMPING		2,456.00
406-21	SURFACE REPAIRS & MAINTENANCE		124.93
406-25	COMPRESSION EXPENSE		600.00
406-37	EQUIPMENT RENTAL		1,031.20
406-39	MISCELLANEOUS		99.00
406-50	OPERATING OVERHEAD		388.50
		ACCOUNT TOTAL	5,493.63
		TOTAL	5,493.63

OWNER NO.	OWNER NAME	INTEREST	AMOUNT
BEL448	LAVONNE BELL	.1000000	549.36
LIS727	MARIE LISTER	.1000000	549.36
NAT050	NATOMAS-NORTH AMERICA, INC	.4500000	2,472.13
SOR257	TO SORENSON TRUST	.1000000	549.36
STE215	N. A. STEED	.1000000	549.36
WXC100	WILLIAMS EXPLORATION-OPERATOR	.1500000	824.06
	TOTAL	1.0000000	5,493.63



04/18/80 WILLIAMS EXPLORATION COMPANY INVOICE [illegible]

JOINT OPERATIONS INVOICE

FOR MAR, 1980

PAGE 1

PROPERTY: BLONSTEIN ESTATE #1

10221- 1

ACCOUNT	DESCRIPTION	[illegible]
	LEASE OPERATING EXPENSE	
606-10	CONTRACT PUMPING	4,400.00
606-18	TREATING - CHEMICALS	187.00
606-21	SURFACE REPAIRS & MAINTENANCE	999.41
606-25	COMPRESSION EXPENSE	600.00
606-50	OPERATING OVERHEAD	348.50
	ACCOUNT TOTAL	6,534.91
	TOTAL	6,534.91

OWNER NO.	OWNER NAME	INTEREST	AMOUNT
BEL448	LAVONNE BELL	.0500000	326.75
BOX069	ROYCE BOX	.0500000	326.75
LIS727	MARIE LISTER	.0500000	326.75
NAT650	NATOMAS-NORTH AMERICA, INC	.3000000	1,960.47
SOR257	TO SORENSON TRUST	.1000000	653.49
STE215	N. A. STEED	.3000000	1,960.47
WXC100	WILLIAMS EXPLORATION-OPERATOR	.1500000	980.23
	TOTAL	1.0000000	6,534.91

6001 Skillman, No. 262,
Dallas, Tex., July 9, 1980.

Re Impact of windfall profits tax on small royalty owners.

Senators Lloyd Bentsen and David Boren.
U.S. Senate, Washington, D.C.

Dear Senators Bentsen and Boren: I write to affirm your concerns that the Windfall Profit Tax Act of 1980 is already having, and will continue to have, an adverse effect on small royalty owners unless immediate relief is provided.

Both my wife and I are in law school, and support ourselves with summer job earnings, part-time work, financial aid, and income from some oil royalties my parents bought me many years ago (pre-tax, approximately $200 per month). Believe me, it takes every penny to scrape by while paying two law school tuitions and still maintain an adequate, though by no means extravagant, standard of living. We both drive old cars and seldom purchase new clothes.

Yet since the Windfall Profit Tax Act has taken effect, we find that we will have to borrow an extra $1,000.00 this year in student loans to make up the dent in our income. The royalty income has been cut over thirty percent (30 percent)! Not only is the Windfall Profit Tax impacting on "Big Oil," with its multi-million dollar profits, but it is also impacting dramatically on the standards of living of numerous small royalty owners. The Turners are being taxed at the same rates as Mobil, Exxon, and Texaco.

My wife and I are lucky—we can borrow (with some difficulty) to cover the expenses left unpaid by the tax on the "windfall income" we have come to depend on to keep food on the table. Many others are not so fortunate. For example, some elderly neighbors of my wife's grandparents depend entirely on royalty income and social security to live. What can they use to replace the income lost to this ill-advised and over-inclusive tax?

Because of my undergraduate studies in economics I question whether there is anything "windfall" about profit derived from charging a price the market will bear. And because of my job experience with the Congressional Budget Office, I further question the economic wisdom and efficiency of diverting the "windfall" income from private industry to the government. Further, although the oil companies are able, with some success, to pass the tax on to consumers, I wonder who I am supposed to pass the tax on to? This year I'm forced to pass it on to the taxpayers in the form of subsidized guaranteed student loans.

I urge you, Senators, to introduce immediately legislation exempting small royalty owners from the tax. Even if "Big Oil" must be taxed for political reasons, there is no reason for the small fry royalty owners, for whom any fluctuation in income causes severe problems, to be caught in the political web.

Sincerely,

Andrew R. Turner.

July 18, 1980.

Mr. Michael Stern,
Staff Director, U.S. Senate Finance Committee,
Washington, D.C.

Dear Mr. Stern: Per your instructions at the Finance Committee hearings on the so called "Windfall Profit Tax of 1980" in Austin, Texas on July 17, 1980, enclosed is the testimony that I would have given had time permitted.

As I understand it, you will see that it is placed into the record of the hearings.

Thank you for your assistance.

Sincerely,

Jesse L. Henderson, Jr.

Enclosures.

Senator Bentsen, Senator Boren, Ladies and Gentlemen: On behalf of the individuals and entities that I represent today, I would like to thank you for the opportunity to express our views concerning the so called "Crude Oil Windfall Profits Tax of 1980".

From our stand point, there are three extremely alarming aspects of this piece of legislation:

First, it has a disastrous effect on the nine interests I represent today simply because of current rampant inflation rates. Three individuals are retired and attempting to live on relatively fixed incomes and without the benefit of formal retirement programs. Two individuals are in the middle income tax-burdened group of Americans, attempting to raise families, reduce personal and business debt, buy a home, provide for the future and maintain a reasonable standard of living. Two are trusts and the administrators are charged with prudent management to provide for education now and in the future. One individual is a person almost at retirement and attempting to provide for that retirement. The remaining entity is an estate already obliterated by inheritance tax laws. As you can see, all are seriously affected by inflation.

Secondly, seven of the individuals and entities are faced with declines in production rates from their mineral property. This decline, plus the effects of this legislation, means that future income will be negatively affected.

Third, eight of the interests represented here today have no—repeat no—prospect of increasing future income by additional production because we are financially unable to fund drilling activities, and because geological survey indicates very little evidence of the presence of additional hydrocarbon deposits on currently held mineral property.

Senator Bentsen, the inclusion of individual royalty owners in this legislation was at best ridiculous. We are not producers as that word is normally used. We do not have the options of raising capital, and of passing cost increases through to another entity. We pay those increases at the gas pump, at the grocery store, at the drug store, to utilities, to greedy governmental bodies, and to mortgage companies.

I would like to make a comment as an individual:

I am disgusted with the uses of Windfall Profits Tax dollars.

The Federal Government has proven time and time again that it is incapable of performing the function of private industry. We need to leave the exploration and development of energy of all kinds to those people who are trained to perform that function—not to politicians and bureaucrats that are totally incompetent in that arena.

For those indigent people who suffer most from rising fuel bills—I say help them—not by some give away program where most of the money is wasted or stolen by mis-management—but rather by a tax deduction based on proof of payment.

Finally Senator, as you know—Texas and its residents have for many years taken the risks to us and our environment of petroleum exploration and production, both on land and off our coast. As far as I'm concerned, it is high time other states explore and develop their known energy resources of all kinds. If they don't, I say to hell with them—let them freeze or burn up in the dark!

Thank you for your time.

JESSE L. HENDERSON, Jr.

INTERESTS AND ENTITIES REPRESENTED

Jesse L. Henderson, Sr., Opal Miller Henderson, Mary Ethel Wheeler Ethridge, Annie L. Henderson Estate, Nancy Jo Oldham Childrens Trust, Nancy Jo Oldham, Jesse L. Henderson, Jr., Jesse L. Henderson, Jr. Childrens Trust, and J. W. Van Sant.

STATEMENT OF CHARLES W. STENHOLM TO THE SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT OF THE SENATE COMMITTEE ON FINANCE

During congressional debate on the windfall profit tax, many Members of Congress expressed concern about the effect that such a tax would have on the small royalty owners of America. Several of us in the House of Representatives attempted to obtain an exemption for royalty owners and independent producers similar to one approved by the Senate in its version of the windfall profit tax bill. Unfortunately, our efforts failed and the 1,000 barrel exemption was dismantled in the conference committee, bringing the hopes of many small producers and royalty owners to a dismal end.

In recent months, however, new hopes for the possibility of an exemption for small royalty owners have arisen. In April, Senator Dole introduced legislation which would exempt royalty owners of up to 10-barrels-per-day of royalty interest under the windfall profit tax. Representative Sebelius and I both introduced such legislation in the House soon thereafter.

I contend that the windfall profit tax should not apply to royalty owners for several reasons.

First of all, a large number of royalty owners are very dependent upon their royalty income to meet essential needs. This is especially true of many retired persons. Recent surveys have shown that many, if not most, royalty owners are over 60 years of age. Many elderly persons have complained to me that they will have to alter their lifestyles unless they receive some relief from the tax soon. Some may even have to apply for food stamps.

Much of the royalty interest in this country comes from stripper wells, which produce less than 10 barrels of oil per day. Because stripper oil was decontrolled in 1975, the royalty owners of such oil had been receiving the benefits of decontrol long before the windfall tax was enacted. Therefore, they are not "better off" than in 1979, as much of the public and many Members of Congress have been led to believe. Yet, these royalty owners are being forced to relinquish much of this income and adjust their lifestyles accordingly.

The decision to include landowners under the windfall profit tax was based upon the theory that they could not provide a production response. However, this assumption is proving false. The landowner decides whether his land will be leased and for what amount. Many landowners are already beginning to require higher prices for their leases in an effort to offset the adverse effects of the tax. Faced with these higher prices, even land now in production could become undesirable to producers. Also, as leases expire, many royalty owners will simply choose to wait until the windfall profit tax expires before renewing their lease so that they may claim the full value of their mineral rights. One can hardly blame them for doing so.

For these reasons, I believe that royalty owners must be exempted soon. While I support an exemption of the first 1,000 barrels of production for independent producers and royalty owners, it is my political judgment that the 10 barrel legislation has a much greater chance of passage this year. It would provide the relief that many royalty owners now need. At this time, over 100 Members of the House of Representatives, from 33 States, are cosponsoring 10 barrel legislation. Given this broad support, I believe that the 10 barrel exemption can be approved by the House, which, in the past has been the main stumbling block in our exemption efforts.

I urge the members of the Senate Finance Committee and the House Ways and Means Committee to seriously consider this much needed legislation. Its passage by Congress would certainly help correct one of the many injustices of the windfall profit tax.

LAW OFFICES OF J. RICHARD DUKE,
Birmingham, Ala., July 10, 1980.

Re Windfall Profit Tax Act of 1980, its effect on royalty owners.

Mr. MICHAEL STERN,
Staff Director, Committee on Finance,
Dirksen Senate Office Building, Washington, D.C.

DEAR MR. STERN: I do not wish to testify with respect to the referenced matter; however, I wish to make comments regarding the true and practical implication of this law.

This act, like all other acts of which I am aware, creates a new bureaucracy which very soon will be bloated in numbers of people and amount of moneys being paid to compensate such people, resulting in very few of the goals of this Act being reached. It is a typical ploy by the President and some members of Congress to pass an apparent law to help the poor, in order to obtain votes, yet the money will end up feeding a bureaucracy created in Washington. The secondary result of this is the taking away of money from persons who would otherwise receive small royalties and placing this money in the hands of the bureaucrats.

I do not like oil companies any better than anyone else. However, I would rather pay high prices to oil companies than to a self-feeding bureaucracy created by Washington with the very obvious perpetration of fraud with the direct intention of obtaining votes from poor people who are uninformed and do not realize that they are the very ones being ripped off, along with the middle-class taxpayers.

I am a practicing tax attorney, and simply cannot understand how men in Congress can continue to perpetrate such fraud upon the taxpayers and poor people. As a practicing tax attorney, I know what is happening as a result of the taxation and where the tax moneys are going.

For your records, please indicate that I am not in favor of the windfall tax profit law that takes away the small royalties otherwise earned by persons and which is directly shifted into the bureaucracy.

Yours very truly,

J. RICHARD DUKE.

JOE E. KNIGHT AND CO.,
Houston, Tex., July 14, 1980.

MR. MICHAEL STERN,
Staff Director, Committee on Finance,
Washington, D.C.

DEAR MR. STERN: Each month I receive a small royalty check and recently the government has been taking out a good percentage of the money and it is called Windfall Profit Tax. Why has this tax been placed upon the small royalty owners?

This outrageous tax should be repealed immediately and the royalty owners should be reimbursed the money that has been taken from them.

Sincerely,

JOE E. KNIGHT.

NANCY E. LAKE,
Tyler, Tex., July 21, 1980.

MR. MICHAEL STERN,
Staff Director, Committee on Finance,
Washington, D.C.

DEAR FINANCE COMMITTEE MEMBERS: I'm writing again to voice my objection to the so-called "Windfall Profits" tax. The tax is actually an excise tax levied against one industry (a fact that is obviously discriminatory and probably unconstitutional), the proceeds from which are used to "balance the budget" of a greedy and short-sighted government and/or Administration.

Attempting to be as brief and succinct as possible, I would like to point up some facts.

(1) This nation must become independent for its energy resources. We cannot continue to rely on foreign and often erratic oil supplies.

(2) Due to the government's policy of regulation of the oil industry, its citizens were lulled into a false sense of eternally cheap and limitless energy supplies. Europeans have been paying the real cost of oil products for years and Americans must learn that the era of cheap energy is over. Possibly you have noticed that when the price of gasoline escalated, the usage dropped and only then was conservation practiced.

(3) The Administration, aware of the profligate character of we Americans, made a scapegoat of the oil industry when supplies became short and more costly. Instead of showing leadership, it railed against the one industry that has the ability to explore for and produce more energy! It should be noted that:

(a) The number of independent oil producers steadily declined from the '60's to the present due, in large part, to the economic fact that, due to government regulation; i.e., price control, the possible profits did not compensate for the risks involved.

(b) Historically, the Independents have discovered most of the domestic oil and gas reserves.

(c) In order to reinvest, a business must have earnings or profits, if you please. This includes all business—be it a restaurant, a steel mill, a farmer or an oil company. The old theory of supply and demand and who made the best product used to be pertinent factors of the market place. (Of course, now we have government subsidies to a motor company whose products no one wants.)

(d) The oil industry in general and the Independents have plowed their profits back into more exploration especially under favorable economic conditions.

(4) The government and its agencies appear to be "balancing the budget" by collecting more taxes rather than cutting down on expenses (and salaries) and/or operating more efficiently. Not one drop of oil or other measure of energy will be discovered and put on line for the American consumer via the "Windfall Profits" tax. Conversely, that money could be spent by the energy industry to try to add to our reserves. It would appear that the government and Administration are biting the hand that keeps our industries rolling.

(5) This tax does not really hit at Big Oil for it just passes along the costs to the consumer. It is radically affecting Independents who cannot pass along the costs, and certainly, adversely affecting widows, farmers, pensioners et al who have either leased their land or have invested in the oil business in a small but very important way.

(6) The oil industry is this country's best bet to provide the necessary energy to keep our economy running over the short term. (Obviously, we must develop alternatives—coal, oil shale, nuclear, etc; I feel confident that private industry will succeed unless government regulations stymie its progress.)

(7) Therefore, get a positive energy program designed to add to our reserves by encouraging profits to be plowed back into the energy industry rather than spending them on some of the non-productive programs that culminate in Washington.

Thank you for listening.

Sincerely,

NANCY E. LAKE.

RICHARD A. WATERFIELD,
Canadian, Tex., July 17, 1980.

MR. MICHAEL STERN,
Staff Director, Committee of Finance,
Washington, D.C.

DEAR SIRS: As a royalty owner I would like to express my unhappiness with the "Windfall Profits" Tax. I believe it to be an unfair tax, it is not constitutional because it is not an equal tax to everyone concerned. In this day of the energy shortage crisis, I feel that the money I pay to the Federal Government should be used to find more oil and gas. Also, it puts an unnecessary burden on the sale of minerals because one does not know what kind of tax the government is going to impose in the future.

Thank you for your time.

Sincerely,

RICHARD A. WATERFIELD.

U.S. SENATE,
Washington, D.C., July 2, 1980.

MR. MICHAEL STERN
Staff Director, Committee of Finance,
Washington, D.C.

DEAR MICHAEL: I have received many letters from oil royalty holders who are very upset about the Crude Oil Windfall Profit Tax Act. These letters all include data regarding the amount of windfall tax taken out of their monthly checks.

Please make these letters and accompanying data a part of the record of the scheduled hearing to take place in Dallas on July 17, 1980.

Thank you.

Sincerely,

WENDELL H. FORD.

Enclosures.

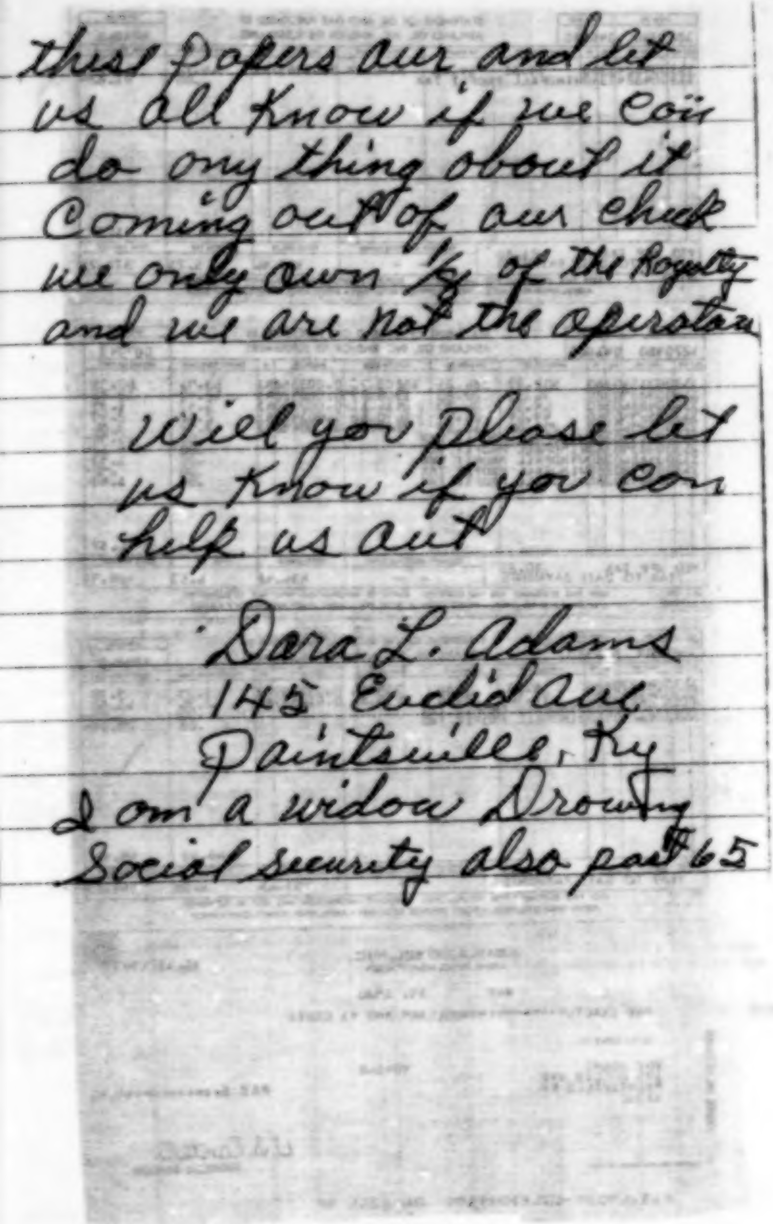
Mr. Windle H. Fard

1960 JUN -3 AM 8:34

Dear Sir:

I am writing you obout
the Windfoll Tox
all of the people from
Eastern part of Kentucky
Drowing a Royoltie Check
from Ashland Oil CO.
think they are toking it
from the wrong checks
we oll feel like it should
Come from Ashland Oil Co
are the opirators
we are sending you a
Copy off the checks
hoping you Con help
us Out I am sending you a
Copy obout What it soy
on back of our checks
we Cash ond it soys

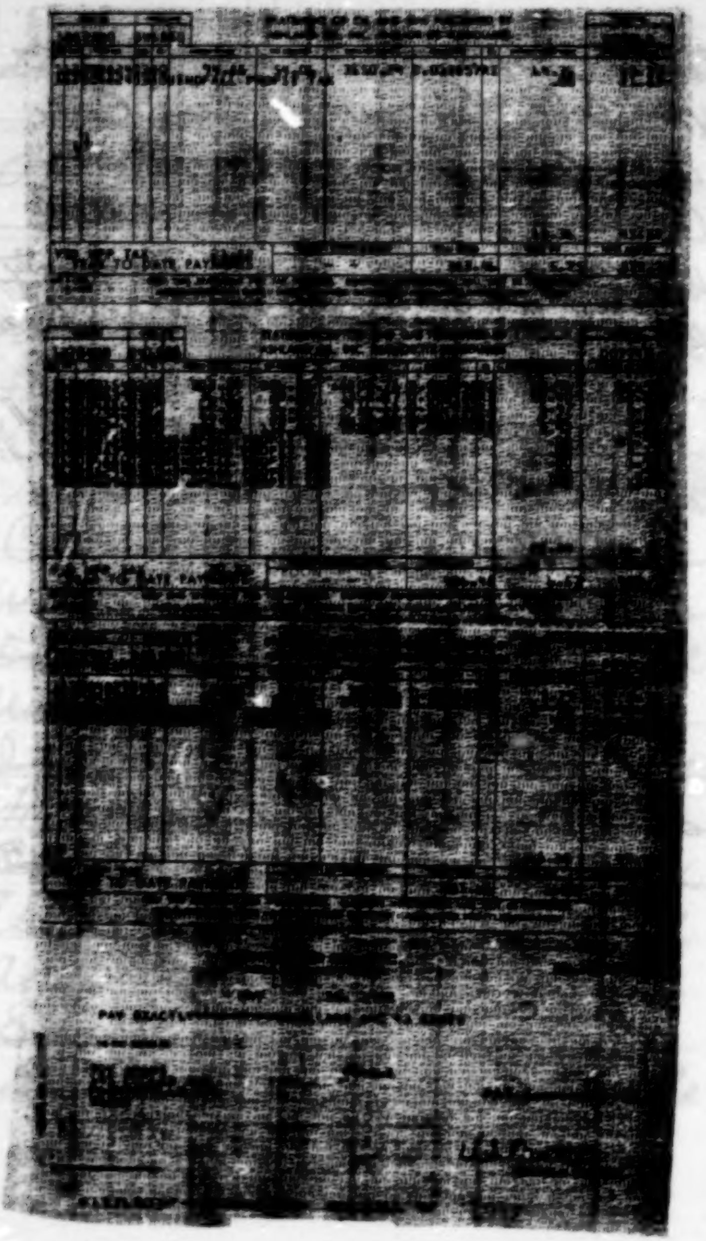
the Operators
this is what is written
on back of the Check
we get
if you are the Operators
as Defined by Treasury
Regulations 1504996-1
Ⓒ of the Property with
respect to which this check
Constitutes a Cerifecation
under penatlies of perguary
that for the purphse of the
Windfall Profit Tax the
Information Contained in
Form Statement for this
property is Carrect as the
tier and Catagary and the
adjusted Base price is
Specified
So would you please look



these papers aur and let
us all know if we Con
do ony thing obout it
Coming out of aur check
we only own 1/8 of the Royalty
and we are not the operator

Will you please let
us know if you con
help us out

Dara L. Adams
145 Euclid Ave
Paintsville, Ky
I am a widow Drowing
Social security also past 65



profit. p

1980 JUN 12 AM 11:26

June 10, 1980
Route 2,
Hartford, Kentucky

Honorable Carroll Hubbard
204 Cannon House Office Building
Washington, D.C.

Answered
6/13/80 Geri

Dear Congressman Hubbard,

Webster defines windfall as, "an unexpected piece of good fortune". Profit is defined, "to become richer". When I received my last two oil royalty checks, I found I had an unexpected piece of misfortune and became poorer.

The checks come for a small acreage I own jointly with an 86 year old widow. I am an 85 year old widow and this is my only income other than a monthly $198.00 Social Security check. These wells were drilled during the depression and owned by a number of large oil companies. They were finally abandoned in the late 1960's and later bought by an independent producer. Just when this lease began to be profitable, I get slapped in the face by Washington with a Windfall Profit Tax.

When I first heard of this tax I assumed it was for companies like EXXON and Gulf that make excess profits. Little did I know it was a plot by Washington to get money from me to give to Cubans that burn barracks at Fort Chaffee that my tax money built. I know it goes to food stamp shoppers who buy choice cuts of steak, lobster and imported and exotic foods, then drive away from the super market in a $14,000.00 van. I have to pay cash for scrap bacon butts, beans and day old bread. I also resent having my tax money go to rapists and muderers in prison that get Social Security disability payments because they are emotionally disturbed.

Why not put a windfall profit tax on the food processors so you can tax the bankrupt farmers? This way the rest of the farmers can go bankrupt and we can have Arabs buy all the farms and we can pay five dollars for a loaf of bread. The Arabs can hide their profits in the mattress covers they wear.

Finally I would like to request that some native born Americans be accorded some Jimmy Carter's "human rights" and I would like one good reason for not voting for Ronald Regan.

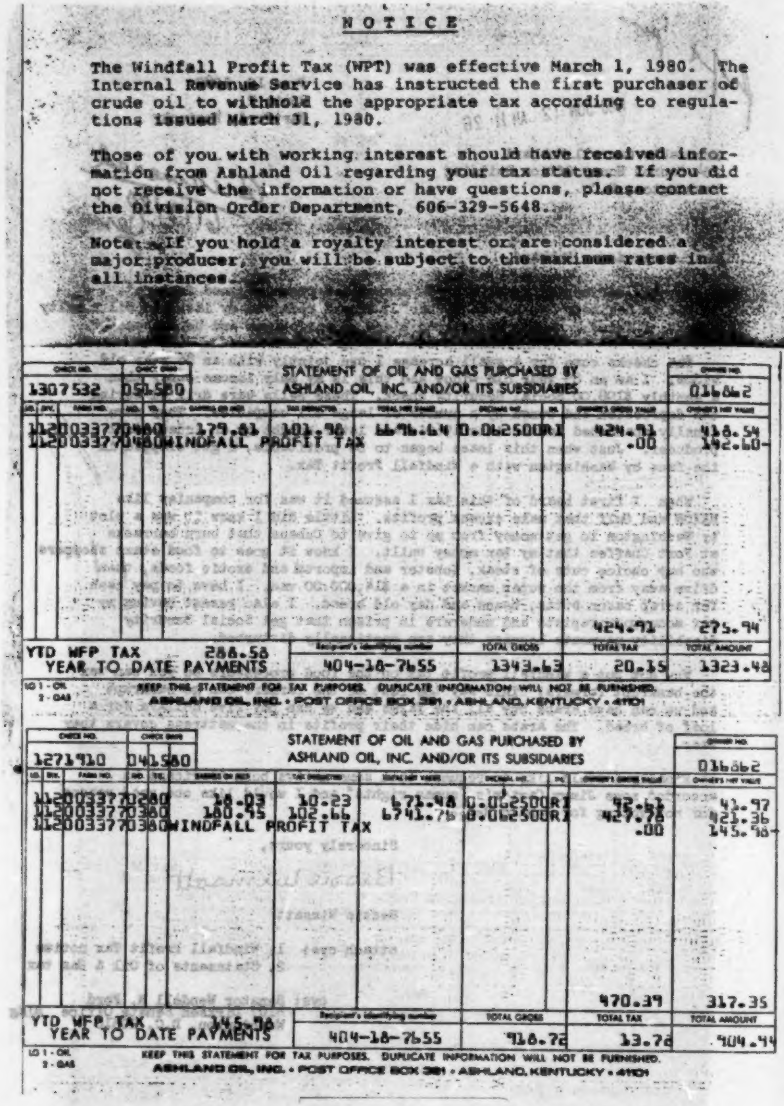
Sincerely yours,

Bessie Wimsatt

Bessie Wimsatt

attach cys: 1. Windfall Profit Tax notice
2. Statements of Oil & Gas tax

cys: Senator Wendell H. Ford
4107 Dirksen Senate Office Bldg
Washington, D.C. 20510



NOTICE

The Windfall Profit Tax (WPT) was effective March 1, 1980. The Internal Revenue Service has instructed the first purchaser of crude oil to withhold the appropriate tax according to regulations issued March 31, 1980.

Those of you with working interest should have received information from Ashland Oil regarding your tax status. If you did not receive the information or have questions, please contact the Division Order Department, 606-329-5648.

Note: If you hold a royalty interest or are considered a major producer, you will be subject to the maximum rates in all instances.

CHECK NO.	CHECK DATE		OWNER NO.
1307532	051580	STATEMENT OF OIL AND GAS PURCHASED BY ASHLAND OIL, INC. AND/OR ITS SUBSIDIARIES	016662

LO. DIV. FARM NO. MO. YR.	BARRELS OR MCF	TAX DEDUCTED	TOTAL NET VALUE	DECIMAL INT.	IN.	OWNER'S GROSS VALUE	OWNER'S NET VALUE
1120033770480	179.81	101.98	6696.64	0.062500	RI	424.91	418.54
1120033770480 WINDFALL PROFIT TAX						.00	142.60-
						424.91	275.94

	Recipient's identifying number	TOTAL GROSS	TOTAL TAX	TOTAL AMOUNT
YTD WFP TAX 288.58 YEAR TO DATE PAYMENTS	404-18-7655	1343.63	20.15	1323.48

LO 1 - OIL
2 - GAS

KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE INFORMATION WILL NOT BE FURNISHED.
ASHLAND OIL, INC. • POST OFFICE BOX 391 • ASHLAND, KENTUCKY • 41101

CHECK NO.	CHECK DATE		OWNER NO.
1271910	041580	STATEMENT OF OIL AND GAS PURCHASED BY ASHLAND OIL, INC. AND/OR ITS SUBSIDIARIES	016662

LO. DIV. FARM NO. MO. YR.	BARRELS OR MCF	TAX DEDUCTED	TOTAL NET VALUE	DECIMAL INT.	IN.	OWNER'S GROSS VALUE	OWNER'S NET VALUE
1120033770280	18.03	10.23	671.48	0.062500	RI	42.61	41.97
1120033770380	180.95	102.66	6741.76	0.062500	RI	427.78	421.36
1120033770380 WINDFALL PROFIT TAX						.00	145.98-
						470.39	317.35

	Recipient's identifying number	TOTAL GROSS	TOTAL TAX	TOTAL AMOUNT
YTD WFP TAX 145.98 YEAR TO DATE PAYMENTS	404-18-7655	918.72	13.78	904.44

LO 1 - OIL
2 - GAS

KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE INFORMATION WILL NOT BE FURNISHED.
ASHLAND OIL, INC. • POST OFFICE BOX 391 • ASHLAND, KENTUCKY • 41101

windfall profit

1980 JUN -9 AM 9:31

Roy Powell
1732 Sycamore Dr.
Benton,Ky. 42025

June 2,1980

The Honorable Wendall Ford
2121 Dirkson Office Building
Washington,D.C. 20510

profit, prm

Dear Senator Ford:

The public was under the impression that the "Windfall profit tax would be paid by the big oil companies, not collected from the land owner and passed on to the Government. My first oil check after other taxes was $158.07 minus $54.99 windfall profit tax. I received $103.08. My second check was $76.57 minus $26.14 windfall profit tax. I received $50.43. I still have to pay income tax and county tax, leaving approximately $35.00. You call this a "Windfall"?

I can make more raising soy beans on the land used for oil tanks, roads, dike pond,etc. I will not lease the remainer of my family land (which I control) until this is rectified. I know this is all I can do about this low down dirty trick that was pulled on the land owners. When the oil is gone we have nothing.

Roy Powell
Roy Powell

RP/mp

MAY 2[illegible] 1980

Reynolds Resources

115 ST. ANN STREET OWENSBORO, KENTUCKY 42301 TELEPHONE (502) 684-4006

~~[illegible]~~ DR

Jack

I would like this
to discuss
with you two

May 22, 1980

The Honorable Wendell H. Ford
United States Senate
2104 DSOB
Washington, D. C. 20510

Dear Senator Ford:

Your recent vote in favor of the Crude Oil Windfall Profits Tax Act of 1980 as written by the conference committee staff leads me to believe that you have no concept of the basic inequity your action imposes on thousands of small royalty owners and holders of overriding royalties on oil production.

You always assured me when I visited your office on behalf of the small producers in Kentucky that you were interested only in curbing the excesses of the major oil companies. However, you have imposed the same tax rate on the smallest royalty owners as on the major integrated companies. The major companies, of course, are in a position to pass the tax increase on to the consumer in the form of higher prices, but the landowner and override holder is left with a 34% reduction in income.

It is inconceivable to me that you intended this imposition. I am enclosing copies of recent run tickets that sets out the amount of taxes along with the calculation sheet necessary to understand the amount withheld.

I am also enclosing a copy of comments to the Commissioner of Internal Revenue that sets out my position with respect to how they have treated Overriding Royalties. I request that you help in any way possible to eliminate this inequity.

Better still, in the interest of our country and for exactly the same reasons you have supported stripper exemptions in the past, I urge that you act to remove this tax from all independent owned stripper production of less than ten barrels per day per lease.

Sincerely yours,

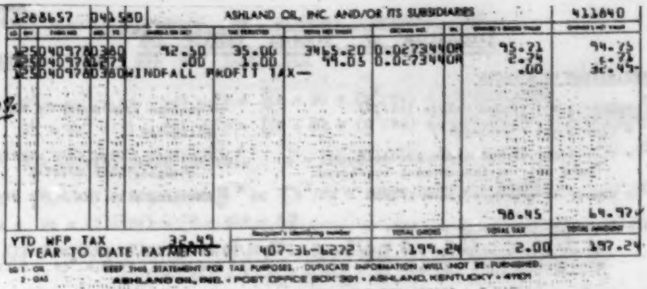
Douglas W. Reynolds

Douglas W. Reynolds

DWR:sr

Encls.

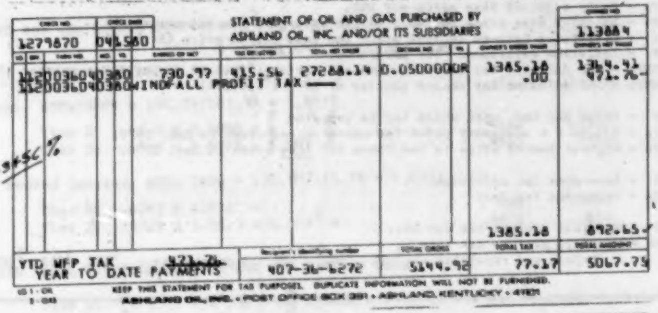
$\frac{32.49}{64.97}$ = .5001%



1288657	041580	ASHLAND OIL, INC. AND/OR ITS SUBSIDIARIES				411840
1250409780380	92.50	35.06	3465.20	0.027344 OR	95.71	94.75
1250409781279	.00	1.00	99.05	0.027344 OR	2.74	2.72
1250409780380 WINDFALL PROFIT TAX—					.00	32.49-
					98.45	64.97
YTD WFP TAX 32.49 YEAR TO DATE PAYMENTS		407-36-6272		199.24	2.00	197.24

CD 1 - OIL 2 - GAS KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE INFORMATION WILL NOT BE FURNISHED.

ASHLAND OIL, INC. • POST OFFICE BOX 391 • ASHLAND, KENTUCKY • 41101



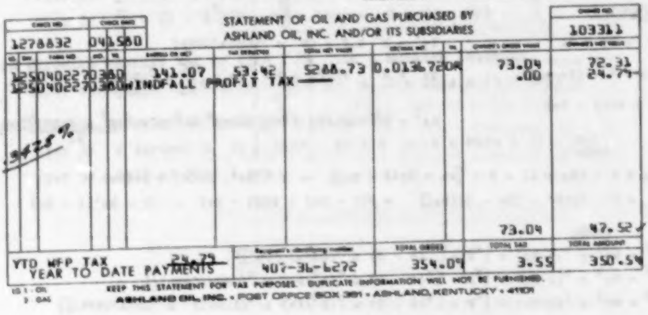
STATEMENT OF OIL AND GAS PURCHASED BY ASHLAND OIL, INC. AND/OR ITS SUBSIDIARIES

1279870	041580					113884
1120036040380	730.97	415.56	27288.14	0.050000 UR	1385.18	1364.41
1120036040380 WINDFALL PROFIT TAX ——					.00	471.76-
					1385.18	892.65
YTD WFP TAX 471.76 YEAR TO DATE PAYMENTS		407-36-6272		5144.92	77.17	5067.75

CD 1 - OIL 2 - GAS KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE INFORMATION WILL NOT BE FURNISHED.

ASHLAND OIL, INC. • POST OFFICE BOX 391 • ASHLAND, KENTUCKY • 41101

$\frac{471.76}{1364.41}$ = .3456%



STATEMENT OF OIL AND GAS PURCHASED BY ASHLAND OIL, INC. AND/OR ITS SUBSIDIARIES

1278832	041580					103311
1250402270380	141.07	53.42	5288.73	0.013672 OR	73.04	72.31
1250402270380 WINDFALL PROFIT TAX ——					.00	24.79-
					73.04	47.52
YTD WFP TAX 24.79 YEAR TO DATE PAYMENTS		407-36-6272		354.09	3.55	350.54

CD 1 - OIL 2 - GAS KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE INFORMATION WILL NOT BE FURNISHED.

ASHLAND OIL, INC. • POST OFFICE BOX 391 • ASHLAND, KENTUCKY • 41101

$\frac{24.79}{72.31}$ = .3425%

MARK 11
3/25/80

CALCULATION OF "WINDFALL PROFITS TAX"

DEFINITION OF SYMBOLS

^{1} = Tier 1 oil (found before 1/1/79)
^{2} = Tier 2 oil ("stripper")
^{3} = Tier 3 oil (found after 12/31/78, or heavy oil, or incremental tertiery)
^{n} = Number of quarters since 1/1/80

^{c} = Constant from month to month
^{e} = Estimated
^{q} = Constant during each quarter, but changing each quarter
^{x} = Changing with the price or gravity

B = Statutory base price per bbl.

B^1 = Upper tier price for like crude as of 5/79 minus 21c or P - (D + .21)
B^2 = \$15.20 B^3 = \$16.55 B^1 for March, 1980 = ^{e}(P - 1.15)

Ba = Fully adjusted base price per bbl.
Bs = Adjusted base price per bbl. before severance tax adjustment
D = Difference between current price and base period price (B^1 or Ph)
F = Inflation adjustment (or GNPa/GNPb)
GNPa = GNP deflator for second preceding quarter (^{e}\$166.99 during first quarter 1980)
GNPb = GNP deflator for second quarter of 1979 (^{e}\$163.79)

P = Price per bbl. upon which tax is computed
Pa = \$35.00 (= statutory price for uncontrolled crude in Dec. 1979)
Ph = Highest posted price in the field for like crude in Dec. 1979

S = Severance tax adjustment
Sr = Severance tax rate

W = Windfall profits tax per bbl.
Wr = Windfall profits tax rate
Majors and royalties : ^{1}70% ^{2}60% ^{3}30% Independents : ^{1}50% ^{2}30% ^{3}30%

FORMULAE:

$$W = Wr \times Ba$$

$$Ba = P - (Bs + S)$$

$$S = Sr(P - Bs)$$

$$Bs^1 = B^1 \times F = (B^1 \times {}^q(GNPa/GNPb)$$

$$Bs^2 = B^2 \times Ph/Pa \times F = {}^xPh \times \frac{{}^cB^2}{Pa} \times {}^q\frac{GNPa}{GNPb}$$

$$Bs^3 = B^3 \times Ph/Pa \times F \times 1.005^n = {}^xPh \times {}^c\left(\frac{B^2 \times 1.005^n}{Pa}\right) \times {}^q\frac{GNPa}{GNPb}$$

THEN :

$$Ba = P - (Bs + S) = P - [Bs + Sr(P - Bs)] = P - Bs - Sr(P) + Sr(Bs)$$
$$= P - Sr(P) - [Bs - Sr(Bs)] = P(1 - Sr) - BS(1 - Sr) = (P - Bs)(1 - Sr)$$

THEN:

$$W^1 = Wr^1 \times {}^c(1-Sr) \times \{{}^xP - [{}^x(P - D) \times {}^q(GNPa/GNPb)]\}$$
$$W^2 = Wr^2 \times {}^c(1-Sr) \times \{{}^xP - [{}^x(P - D) \times {}^c(B^2/Pa) \times {}^q(GNPa/GNPb)]\}$$
$$W^3 = Wr^3 \times {}^c(1-Sr) \times \{{}^xP - [{}^x(P - D) \times {}^c(B^3/Pa) \times {}^q(1.005)^n \times {}^qGNPa/GNPb)]\}$$

CALCULATION OF WINDFALL PROFITS TAX

SUPPLEMENT B: TIER 2 OIL and TIER 3 OIL

TIER 2: $W^2 = Wr^2 \times (1 - Sr) \times \{P - [(P - D) \times (B^2/Pa) \times (GNPa/GNPb)]\}$

TIER 3: $W^3 = Wr^3 \times (1 - Sr) \times \{P - [(P - D) \times (B^3/Pa) \times (GNPa/GNPb) \times 1.005^n]\}$

P = current price per bbl. D = Increase over Dec. 1979 price

Let: $Z = [(B^2/Pa) \times (GNPa/GNPb)]$ or $[B^3/Pa \times (GNPa/GNPb \times 1.005^n]$

Then: $W = Wr \times (1 - Sr) \times [P - Z(P - D)]$

And: $P - Z(P - D) = P - ZP + ZD = P(1 - Z) + D[1 - (1 - Z)]$

$= P(1 - Z) + D - D(1 - Z) = (1 - Z)(P - D) + D$

In March and the Second Quarter: $B^2/Pa = 15.20/35 = .4343$

$B^3/PA = 16.35/35 = .4729$

In March: GNPa/GNPb = 166.99/163.79 = 1.0195

	Z	1 - Z
Tier 2: .4343 x 1.1095 =	.4428	.5572
Tier 3: .4729 x 1.0195 x 1.005 =	.4845	.5155

In the Second Quarter, GNPa/GNPb = 170.70/163.79 = 1.0422

Tier 2: .4343 x 1.0422 =	.4526	.5474
Tier 3: $.4729 \times 1.0422 \times 1.005^2 =$	.4978	.5022

TO OBTAIN TOTAL WINDFALL PROFITS TAX FOR TANK OR LEASE:

Tier 2: $[D + (1 - Z^2)(P - D)] \times$ Bbls $\times .3 \times$ (2 - W.I. decimal) $\times (1 - Sr)$

Tier 3: $[D + (1 - Z^3)(P - D)] \times$ Bbls $\times .3 \times (1 - Sr)$

TO OBTAIN WINDFALL PROFITS TAX on TIER 2 or TIER 3 WORKING INTEREST

W.I. decimal x $(1 - Z)(P - D) + D \times .3 \times$ Bbls $\times (1 - Sr)$

TO OBTAIN WINDFALL PROFITS TAX on ROYALTY (or MAJOR)

Tier 2: R decimal x $(1 - 2)(P - D) + D \times .6 \times$ Bbls $\times (1 - Sr)$

Tier 3: Half of Tier 2 tax

Mark II

CALCULATION OF WINDFALL PROFITS TAX

SUPPLEMENT A : TIER 1 OIL

$W^1 = Wr^1 \text{ x } \{P - [(P - D) \text{ x } (GNPa/GNPb)]\} \text{ x } (1 - \text{Severance tax rate or } Sr)$

PART I : LOWER TIER OIL No tax.

PART II : UPPER TIER OIL (except Decontrolled Upper Tier Oil)

P = Current controlled price: March = \$13.94@ April = \$14.04@ May = \$14.14@

@ 20¢ less in Indiana and Kentucky

D = Difference between current price and price in May, 1979

March = \$1.16 April = \$1.26 May = \$1.36

(P - D) remains \$12.78 each month in Illinois; \$12.58 in Indiana and Kentucky

(GNPa/GNPb) in March = 166.99/163.79 = 1.0195

in Second Quarter = 170/70/163.79 = 1.0422

$W^1 = Wr^1$ x tax base ("Z") which in March	Z
in Illinois = \$13.94 - (1.0195 x 12.78 or 13.0292) =	.9108
in Indiana = \$13.74 - (1.0195 x 12.58 or 12.8253) x .99 =	.9055
in Kentucky = \$13.74 - 12.8253 x .985 =	.9010
and which in April	
in Illinois = \$14.04 - (1.0422 x 12.78 or 13.3193) =	.7207
in Indiana = \$13.84 - (1.0422 x 12.58 or 13.1109) x .99 =	.7218
in Kentucky = \$13.84 - 13.1109 x .095 =	.7182

PART III : DECONTROLLED UPPER TIER OIL

Use same formula

D = Difference between current uncontrolled price and controlled upper tier price in May, 1979,

(P - D) remains P - 12.78 in Illinois, and P - 12.58 in Indiana & Kentucky

Z in March then = $P - [(P - 12.78) \text{ x } 1.0195 \text{ x } (1 - Sr)]$

in April = $P - [(P - 12.78) \text{ x } 1.0422 \text{ x } (1 - Sr)]$

PART IV : FORMULAE TO COMPUTE WINDFALL PROFITS TAX

TO OBTAIN TOTAL WINDFALL PROFITS TAX FOR TANK OR LEASE

Z x Bbls. x [.7 - (W.I. decimal x .2)]

TO OBTAIN TOTAL WINDFALL PROFITS TAX ON WORKING INTEREST

Z x .5 x Bbls. x W.I. decimal

TO OBTAIN TOTAL WINDFALL PROFITS TAX ON ROYALTY (OR MAJOR)

Z x .7 x Bbls. x Royalty decimal

Reynolds Resources

115 ST. ANN STREET OWENSBORO, KENTUCKY 42301 TELEPHONE (502) 684-4006

May 20, 1980

The Commissioner of Internal Revenue
Department of the Treasury
Internal Revenue Service
Washington, D. C. 20224

Dear Mr. Commissioner:

I wish to comment on the proposed temporary regulations and final regulations relating to the excise tax regulations resulting from the Crude Oil Windfall Profit Tax Act of 1980.

The information available to me at this time indicates that only "working interests" owned by Independent Producers are entitled to the lower tax rates provided for "tier one" and "tier two" oil. Apparently a "working interest" must meet the definition as set out in Section 614(d) of the tax code as well as existing on January 1, 1980.

I wish to suggest that the Commission reconsider the way overriding royalties are treated. In some instances overrides are properly treated as unearned income, such as when they are granted as a gift from a state to a strong political figure. In most instances, however, overrides represent the residue interest earned by the creation of the exploratory effort.

The included exploration history indicates the extent to which I have operated in the capacity of an independent producer. There is no question in my mind that the intent of the conference committee was to grant some relief to parties actively engaged in the search for oil and gas reserves. In the administrative effort to write the proper regulations to provide that relief apparently no consideration was given to the origin of overrides. Thousands of geologists and independents are specifically affected by the way overrides are treated in the regulations. Those persons created the oil and gas prospects and usually have more at risk than any other person in the venture. I submit that if income from an overriding royalty is truly unearned income then it should be treated as such. If, however, it is a consideration for something as basic and vital to the exploration effort as definition, acquisition, and drilling the initial prospect, then it deserves to be treated at least as favorably as other types of production income that results from that effort.

I respectfully request the Commission to consider my concern and act to eliminate this inequity. If that is impossible under the law, then kindly recommend steps that I should take to initiate the necessary reform.

Sincerely yours,

Douglas W. Reynolds

Douglas W. Reynolds

DWR:sr

OIL & GAS EXPLORATION

Encl: Exploration History

B.K. ans. windfall
0133052007
the letter is in microfi...
now J.T.

Windfall profits

1980 MAY 30 PM 1:28

May 27, 1980.

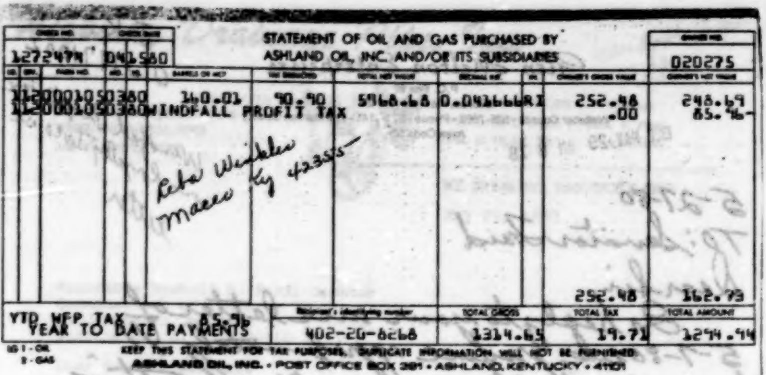
Dear Senator,

I appreciate you answering my letter about the Windfall profit Tax

I am sending you copies of my last two oil checks showing the tax and also calling your attention to the fact that this Tax is Added on to the total Amount each month which at Income tax time we will be paying tax on tax. There has to be some relief for the small people owing oil and gas interests. This is about all the information I can give you as I have no way of finding out oil pumped on daily basis. I have not yet received any papers from Ashland oil about the tax. I received a letter saying I would receive papers to sign giving them the right to take the tax out. I wrote to them but have not heard from them. Please do all you can for us for for we are trying to stay off of welfare

Thank you

Reba Stenkler
Maceo Ky 42355



CHECK NO.	CHECK DATE		STATEMENT OF OIL AND GAS PURCHASED BY ASHLAND OIL, INC. AND/OR ITS SUBSIDIARIES	OWNER NO.
1272474	041580			020275

ID	DIV.	FARM NO.	MO.	YR.	BARRELS OR MCF	TAX DEDUCTED	TOTAL NET VALUE	DECIMAL INT.	INT.	OWNER'S GROSS VALUE	OWNER'S NET VALUE
1	1	2000105	03	80	140.01	90.90	5968.68	0.041666	RI	252.48	248.69
1	1	2000105	03	80	WINDFALL PROFIT TAX					.00	85.96-
										252.48	162.73

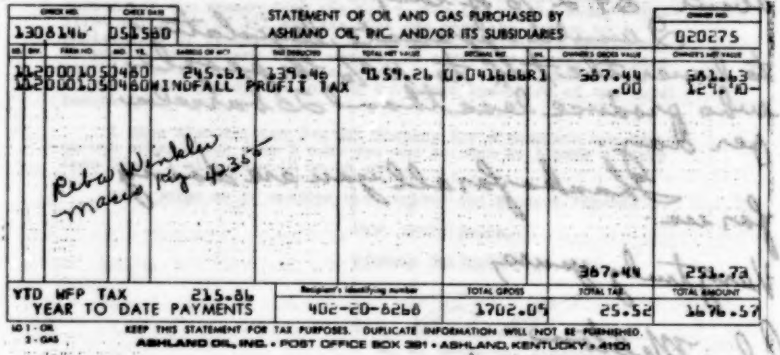
Reba Winkler
Maceo Ky 42355

YTD WFP TAX 85.96 YEAR TO DATE PAYMENTS	Recipient's identifying number	TOTAL GROSS	TOTAL TAX	TOTAL AMOUNT
	402-20-6268	1314.65	19.71	1294.94

ID 1 - OIL
2 - GAS

KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE INFORMATION WILL NOT BE FURNISHED.

ASHLAND OIL, INC. • POST OFFICE BOX 391 • ASHLAND, KENTUCKY • 41101



CHECK NO.	CHECK DATE		STATEMENT OF OIL AND GAS PURCHASED BY ASHLAND OIL, INC. AND/OR ITS SUBSIDIARIES	OWNER NO.
1308146	051580			020275

ID	DIV.	FARM NO.	MO.	YR.	BARRELS OR MCF	TAX DEDUCTED	TOTAL NET VALUE	DECIMAL INT.	INT.	OWNER'S GROSS VALUE	OWNER'S NET VALUE
1	1	2000105	04	80	245.61	139.46	9159.26	0.041666	R1	367.44	381.63
1	1	2000105	04	80	WINDFALL PROFIT TAX					.00	129.90-
										367.44	251.73

Reba Winkler
Maceo Ky 42355

YTD WFP TAX 215.86 YEAR TO DATE PAYMENTS	Recipient's identifying number	TOTAL GROSS	TOTAL TAX	TOTAL AMOUNT
	402-20-6268	1702.09	25.52	1676.57

ID 1 - OIL
2 - GAS

KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE INFORMATION WILL NOT BE FURNISHED.

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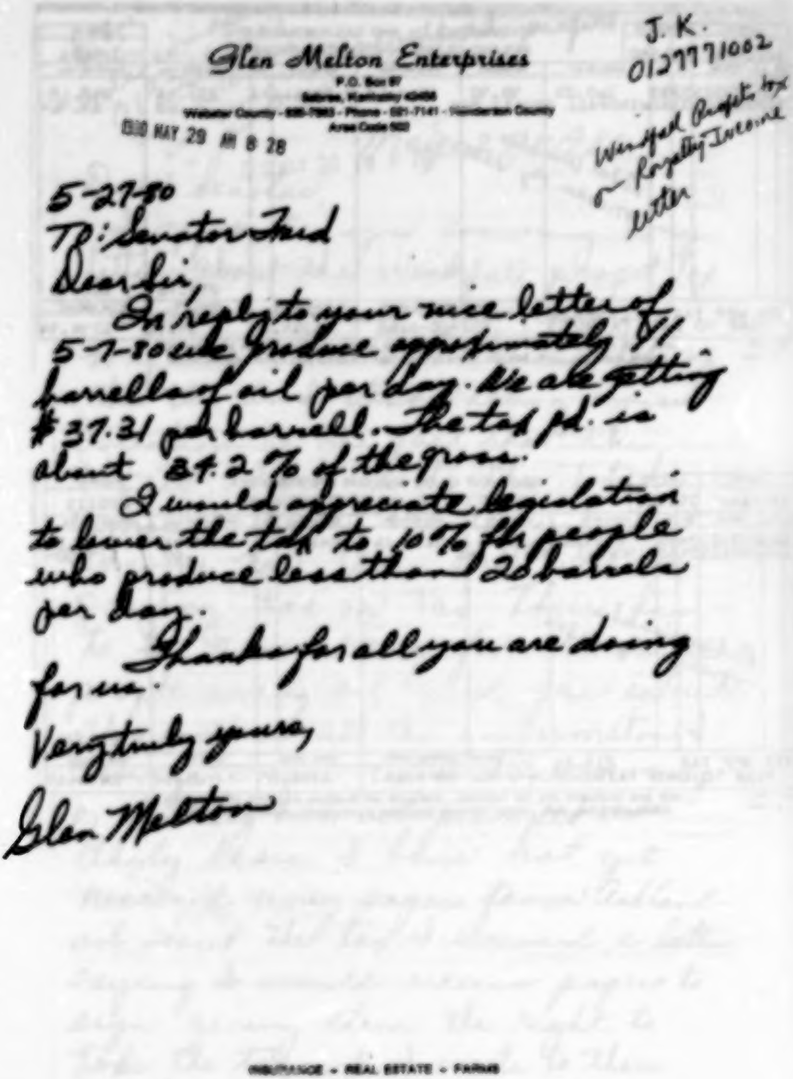


J. K.
0127771002

Windfall Profits tax or Royalty Income letter

Glen Melton Enterprises
P.O. Box 97
Sebree, Kentucky [illegible]
Webster County - [illegible] - Phone - [illegible] - Henderson County
Area Code 502

[illegible] MAY 29 AM 8 28

5-27-80
To: Senator Ford
Dear Sir,

In reply to your nice letter of 5-7-80 we produce approximately 81 barrells of oil per day. We are getting $37.31 per barrell. The tax pd. is about 34.2 % of the gross.

I would appreciate legislation to lower the tax to 10 % for people who produce less than 20 barrels per day.

Thanks for all you are doing for us.

Very truly yours,

Glen Melton

INSURANCE – REAL ESTATE – FARMS

Highway Drainage Pipe, Inc.

HIGHWAY CONCRETE PIPE
WHEELING METAL PIPE
J-M TRANSITE PIPE

R. JACK REYNOLDS — President
WM. R. REYNOLDS — Exec. V. Pres.
WM. C. CLAY, JR. — Secy./Treas.

MT. STERLING, KENTUCKY [illegible]

Windfall Profit letter

'80 MAY 28 AM

May 23, 1980

Honorable Wendell H. Ford, Senator
Commonwealth of Kentucky
4107 Dirksen Building
Washington, D. C. 20510

Dear Senator Wendell:

In response to your letter of May 14, I enclose a card and a copy of a check stub from Koch Oil Company. The second sentence of the card reads: "Koch Oil Company, as first purchaser, is required by law to withhold this tax from your payments and remit it to the Federal Government, unless you are an integrated oil company or are exempt from the tax." The law should read: "The first purchaser of oil and gas that can pass the tax on to a wholeseller or retailer shall be charged the windfall profit tax." As you can see, there is no way we, as a royalty owner, can pass anything on to anybody. We also pay income tax on what is left. As you can see, they are holding out about one-third of the total amount due us.

I have also written Sun Oil Company for a complete breakdown on the other check stub I sent you and as soon as I have a reply from them, I will pass it on to you.

Jack joins me in sending best wishes and kindest regards

Very truly yours,

HIGHWAY DRAINAGE PIPE, INC.

By Bill

W. R. Reynolds, President

WRR/vp

Enclosures

STATEMENT OF CRUDE PURCHASES **Koch Oil Company** P O BOX 2256 WICHITA, KANSAS 67201 • REFER TO OWNER NO WHEN WRITING

YR	LEASE	OWNER	NET BARRELS	TOTAL TAX	NET VALUE	OWNER'S AMOUNT
80	076753	0741725	.00	.00	6.00	.13
80	076753	0741725	72.26	158.95	2609.07	54.36
80	076753	0741725	WINDFALL PROFITS TAX			18.61-
						35.88 *

HERE AND KEEP FOR YOUR RECORDS

STATEMENT OF CRUDE PURCHASES **Koch Oil Company** P O BOX 2256 WICHITA, KANSAS 67201 • REFER TO OWNER NO WHEN WRITING

YR	LEASE	OWNER	NET BARRELS	TOTAL TAX	NET VALUE	OWNER'S AMOUNT
80	076753	0741730	.00	.00	6.00	.12
80	076753	0741730	72.26	190.95	2609.07	54.36
80	076753	0741730	WINDFALL PROFITS TAX			18.61-
						35.87 *

HERE AND KEEP FOR YOUR RECORDS

---

3 [illegible]

Dear Interest Owner:

[illegible] you know an excise tax, known as the Windfall Profits Tax, has been passed into law by Congress effective after February 29, 1980. Koch Oil Company, as first purchaser, is required by law to withhold this tax from your payments and remit it to the Federal Government, unless you are an integrated oil company or are exempt from the tax.

The rates and categories for the tax that may affect you are as follows:

Tax Tier - Includes		Major Producer*	Independent Producer**
1	Old Oil(Low Tier), New Oil(Upper Tier),Marginal, Market Level New Oil	70%	50%
2	Stripper	60%	30%
3	Newly Discovered, Heavy, Incremental Tertiary	30%	30%

* Major rate includes royalty and overriding royalty owners.

** Independent rate is for qualifying working interest owners that have certified their status to KOCH.

The tax is computed in this manner:

Removal (Current Purchase Price)
- Adjusted Base Price
- Severance Tax Adjustment
Windfall Profit

Windfall Profit Tax = Windfall Profit times the applicable tax rate.

1980 JUN -2 AM 8 02

633 Portland Drive
Lexington, Ky. 40503
May 29, 1980

Honorable Wendell H. Ford
United States Senate
Washington, D.C. 20510

Dear Senator Ford:

I appreciate your letter of May 8, 1980, informing me of your position regarding the effects of the windfall profits tax on the small producers and royalty owners.

In answer to your request for detailed information on the financial effects of this tax on my personal situation, I am attaching a sheet giving a breakdown of my mother's interests in four Kentucky stripper leases for the month of March. As you can see from the "Totals for Month" line, the windfall profits tax took $162.61 out of a net income of $469.90 - or 34.61% of what she would have received had there been no windfall profits tax. We feel that this is an exorbitant tax on such a small income.

Senator, I just can't believe that it was the informed intent of Congress when they passed the W.P.Tax bill to tax the small royalty owners at the same high rate they applied to the giant oil companies. My mother, who is an 82 year old widdow, depends on her oil royalties for a significant part of her income, and $162 less a month really hurts.

I have recently been in contact with Senator Bob Dole, and he informs me that his Bill No. S2521 is designed to help the small royalty owners by exempting 10 barrels of royalty interest per day from the W.P.Tax. His speech introducing this bill on April 2, 1980 is recorded on Page S3438 of the "Congressional Record-Senate". I am attaching a Xerox copy of this speech so you will not have to look it up. As you can see from the last column of the attached data sheet, my mother's total "Average Barrels per

Day" for the month of March was only .419 barrels, which would put it well within Senator Dole's proposed exemption of 10 barrels of royalty interest per day.

Mr. Ford, I believe Senator Dole's bill is well deserving of your support as a workable plan for relieving the small royalty owner of this burdensome tax, and I certainly hope you will aid him in pushing the bill through the Senate. I am sure all the small royalty owners in Kentucky will be most grateful for your efforts on behalf of their welfare.

Very truly yours,

Vaughn P. Drake

Vaughn P. Drake, Jr.

Oil Royalty Income for Month of March, 1980

Lease Number	Av. Bbl Per Day	Total Barrels	Price Per Bbl.	Total Purchase	Royalty Interest	Gross Income	State Tax	Sub Net Income	Windfall Profits Tax	Net Income	W.P.Tax % of Sub Net
7817	25.16	754.93	$38.00	$28687	.003907	$112.08	$1.68	$110.40	$37.94	$72.46	34.37
7945	5.77	173.00	38.00	6574	.003125	20.55	.30	20.25	6.98	13.27	34.47
11184	2.88	86.42	37.57	3247	.041667	135.28	2.03	133.25	46.46	86.79	34.87
11335	4.40	132.08	38.00	5019	.041667	209.13	3.13	206.00	71.23	134.77	34.58
Totals for Month						$477.04	$7.14	$469.90	$162.61	$307.29	34.61%

Production Credited to This Interest

Lease Number	Bbls/Month Credited to This Interest	Average Bbls/Day Credited to This Interest
7817	2.95	.098
7945	.54	.018
11184	3.60	.120
11335	5.50	.183
Totals	12.59	.419

By Mr. DOLE (for himself, Mr. Boren, Mr. Bellmon, Mr. Wallop, Mr. Bentsen, Mr. Domenici, Mr. McClure, Mr. Tower, and Mrs. Kassebaum):

S. 2521. A bill to amend the Internal Revenue Code of 1954 to provide more equitable treatment of royalty owners under the crude oil windfall profit tax; to the Committee on Finance.

Mr. DOLE. Mr. President, today, President Carter signed the so-called windfall profit tax bill into law. Some Members were invited and some were not. This signing ended the very long journey of the windfall profit tax. If we add up the time from when we first started the discussion of the windfall profit tax, it spans a period of 11 months.

This Senator believes that the windfall profit tax will make this country's journey to eventual energy independence much more difficult. As I said on the floor the day after the conference report was agreed to by the Senate, the windfall profit tax is bad energy policy and bad economic policy. It will lower incentives for discovering new oil when they should be increased. It will thus reduce future domestic oil production at a time when our dependence on undependable foreign sources of oil is most perilous.

The bill is bad economic policy because it places the largest tax in our history on American consumers at a time when large tax reductions are what are needed. How can Americans sustain 18 percent inflation, almost no real growth in our economy and a new $227 billion tax all at the same time?

Finally, this law is inequitable. It taxes small royalty owners at the same rate as Exxon and the other oil industry giants.

There will come a time in the very near future when those who pushed for this legislation will recognize their catastrophic folly.

Mr. President, the Senator from Kansas has repeatedly pointed out how the windfall profit tax unfairly dealt with small royalty owners.

We are finding that in the State of Kansas—and I am certain every other oil-producing State Senator will find the same during the Easter recess if he talks to farmers or other small investors who purchased royalties over the years—that royalty owners are extremely unhappy to be paying the same rate of tax as the major oil companies.

Many royalty owners in the State of Kansas—farmers and others—tell me they were extremely surprised that they are being asked to pay this tax. They did not understand that this tax would apply to them, because they had been told, time after time, by commentators and by the President of the United States, that we are going after the big oil companies and that big oil was to pay the tax. This was not an accurate representation of what the windfall profit tax proposal contained.

During the final Senate consideration of the conference report on the windfall bill, the Senator from Kansas attempted to focus the attention of his colleagues on the plight of the approximately 2 million small royalty owners throughout the United States. In this Senator's view, one of the most unjust aspects of the final windfall tax is the harsh treatment it gives these small royalty owners. Under the conference report, these royalty owners are subjected to the full windfall profit tax rates—a 70-percent tax rate on upper and lower tier oil, a 60-percent tax rate for stripper oil and a 30-percent tax rate for newly discovered, incremental tertiary and heavy oil. These are the same windfall tax rates applicable to the giant, multinational oil companies.

The Senator from Kansas recognizes that when the Senate was presented with the conference bill on H.R. 3919, we had no real latitude to make modifications in the bill. In order to make any change in the bill to ease the burden on small royalty owners, it would have been first necessary to defeat the conference report and to then request a new conference with the House. The Senator from Kansas understands that many Members were reluctant to delay passage of the windfall bill, even though they were entirely in sympathy with the concerns of small royalty owners.

Accordingly, the Senator from Kansas is today joining the distinguished Senators from Oklahoma, Mr. Boren, and Mr. Bellmon, and Mr. Wallop in introducing a bill which would entirely exempt small royalty owners from the windfall profit tax, up to a total of 10 barrels per day of royalty interest. This 10-barrel-per-day exemption should cover the vast majority of the small royalty owners who will be most severely impacted by the imposition of the windfall profit tax on their interests.

At least in Kansas, most royalty owners are working farmers who are struggling to survive in the face of plummeting farm commodity prices. These individuals are dependent on the modest royalty checks they receive to weather the currently unfavorable farm market. There is also a sizable group of royalty owners who are retired persons dependent on small royalty checks to supplement their social security payments. Clearly these individuals are not oil profiteers. They were not the intended target of the windfall profit tax when it was first proposed, when it passed the Senate Finance Committee, or when it originally passed the Senate.

The imposition of the windfall profit tax upon these small royalty owners will cause a substantial rollback in the income received by these individuals. This is especially true for royalty owners on stripper oil properties. On a barrel of stripper oil selling for $38, a royalty owner would typically receive a $4.75 royalty payment. After the imposition of the windfall profit tax, the royalty owners will have to pay a $1.71 tax on this royalty income. Thus, the royalty owner's payment per barrel will be slashed from $4.75 to $3.04 by the windfall profit tax—a 36-percent drop in income.

The Senator from Kansas has heard from dozens of extremely unhappy landowners who assert they will not enter into any new leases because of the imposition of the windfall profit tax. There have already been reports that landmen trying to acquire mineral rights are running into resistance from landowners. Clearly if a substantial number of landowners refuse to enter into new leases because of their anger over this new tax, it will have a significant detrimental effect on domestic oil production.

Mr. President, it is difficult to justify why a working farmer or a retired person should be subject to the windfall profit tax at all; much less be subject to the same heavy tax that Exxon pays. The inequity of this situation cannot be allowed to persist. Accordingly I am hopeful that the Senate Finance Committee will promptly move forward on the small royalty owner exemption bill that we are introducing here today, and that it can be quickly enacted. The Senator from Kansas takes considerable comfort in the concern that the distinguished chairman of the Senate Finance Committee, Mr. Long, has expressed toward small royalty owners and in the interest he has shown toward moving forward on legislation to ease the burden on these individuals.

Mr. President, I have discussed in this Chamber this approach with the distinguished chairman of the Finance Committee, Senator Long. He has indicated a willingness, to try to find some way to accommodate the small royalty owners. I am certain many other of our colleagues are also sympathetic.

The Senator from Kansas can understand that the only choice we had during consideration of the windfall profit tax conference report was to either accept it or reject it and start all over. I know that many Senators who support this exemption were reluctant to defeat the conference report.

But I feel that once the plight of the small royalty owner is fully understood, there will be broad bipartisan support from Senators from producing and nonproducing States to try to right this wrong.

I hope we can have a hearing on our proposal at the very earliest time and that the Finance Committee can report a measure that will have the support of the majority of Senators at some time in the very near future.

I see the distinguished junior Senator from Oklahoma has come to the Chamber.

I have just been explaining the bill we are introducing which would exempt up to 10 barrels per day of so-called royalty oil.

It seems to me that this bill is a step in the right direction.

I thank the distinguished Senator from Oklahoma for his leadership in proposing this legislation and for his efforts in the past several months to try to prevent this from happening.

Mr. BOREN. Mr. President, will the Senator yield?

Mr. DOLE. I am happy to yield to the Senator from Oklahoma.

Mr. BOREN. I am proud to join with my colleague from Kansas in introducing this legislation, and I commend him for taking the lead on this subject.

I think we should have good hope for positive action in the Senate, and the Senate in the past, acting on the broader bill, recognized the special needs of royalty owners.

When we were having general debate on the tax many people in the conference simply did not focus on what was being done here to the small royalty owners, the fact that there are countless thousands, perhaps even over a million people in this country who have their life savings in many cases tied up in small royalty investments, and we are not here dealing with any kind of privileged group. In fact, they do not even ave a national organization. They are rtainly not a well-organized interest oup.

In many cases these are people virtually at the lower income levels who are being very, very hard hit by this tax.

I certainly commend the Senator from Kansas for his efforts in rectifying this wrong.

Mr. DOLE. I thank my distinguished colleague from Oklahoma.

I am certain the Senator from Oklahoma is receiving copies of letters now from little royalty owners who are getting letters from the big oil companies saying, in effect, "Greetings, we are about to tax you to 60 percent." Sixty percent of, the difference between the base price and the market price, is a pretty heavy tax. That is the same rate as I indicated that the major oil companies must pay. I said earlier I know e chairman of our committee, the distinguished Senator from Louisiana, will elp us in this effort. He indicated as much in the Chamber during the debate on the conference report.

I believe justice can be done, and I thank the Senator from Oklahoma for his efforts and also that of his colleague, Senator BELLMON as well as the Senator from Wyoming (Mr. WALLOP).

Mr. President, I ask unanimous consent that the text of the proposal be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

S. 2521

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. ROYALTY OWNER EXEMPTION.

(a) IN GENERAL.—Subsection (b) of section 4991 of the Internal Revenue Code of 1954 (relating to exempt oil) is amended—

(1) by striking out "and" at the end of paragraph (3),

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a comma and the word "and", and

(3) by adding at the end thereof the following new paragraph:

"(5) Any exempt royalty owner oil.".

(b) ROYALTY OWNER OIL.—Section 4994 of such Code (relating to definitions and special rules relating to exemptions) is amended by adding at the end thereof the following new subsection:

"(f) EXEMPT ROYALTY OWNER OIL.—

"(1) GENERAL RULE.—For purposes of this apter, the term 'exempt royalty owner means that portion of a royalty owner's empt production for the quarter which does not exceed such person's exempt amount for such quarter.

"(2) EXEMPT AMOUNT.—For purposes of this section—

"(A) IN GENERAL.—A person's exempt amount for any quarter is the product of—

"(i) 10 barrels, multiplied by

"(ii) the number of days in such quarter (31 in the case of the first quarter of 1980).

"(B) PRODUCTION EXCEEDS AMOUNT.—If a person's exempt production for any quarter exceeds such person's exempt amount for such quarter, the exempt amount shall be allocated—

"(i) between tiers 1 and 2 in proportion to such person's production for such quarter of domestic crude oil in each such tier, and

"(ii) within any tier, on the basis of the removal prices for such person's domestic crude oil in such tier removed during such quarter, beginning with the highest of such prices.

"(3) EXEMPT PRODUCTION DEFINED.—For purposes of this section, a royalty owner's exempt production for any quarter is the number of barrels of taxable crude oil—

"(A) of which such person is the producer,

"(B) which is removed during such quarter, and

"(C) which is tier 1 oil or tier 2 oil.

"(4) ROYALTY OWNER.—For purposes of this section, the term 'royalty owner' means any person who is the holder of any royalty or similar interest.

"(5) ALLOCATION WITHIN RELATED GROUPS.—

"(A) IN GENERAL.—In the case of persons who are members of the same related group at any time, the 10 barrel amount contained in paragraph (2)(A)(i) for days during such quarter shall be reduced for each such person by allocating such amount among all persons in proportion to their respective exempt production for such quarter.

"(B) RELATED GROUP.—For purposes of this subsection, persons shall be treated as members of a related group if they would be treated as members of a related group under section 4992(d).

"(C) MEMBERS OF MORE THAN 1 RELATED GROUP.—If a person is a member of more than 1 related group during any quarter, the determination of such person's allocation under subparagraph (A) shall be made by reference to the related group which results in the smallest allocation for such person.

SEC. 2. EFFECTIVE DATE.

The amendments made by section 1 of this Act shall apply with respect to taxable periods ending after February 29, 1980.

REGWYN PROPERTIES, INC.
211 MORGAN ST.
VERSAILLES, KENTUCKY 40383

C. REGINALD RYLEY

AREA CODE 606
PHONE 873-4373

1980 JUN -6 AM 11: 56

June 2, 1980

Senator Wendell H. Ford,
Senate Office Building,
Washington, D.C. 20510

Dear Senator:

I have your letter of May 29, 1980 and very much appreciate your effort to get the small Royalty owners some relief from the .34 plus "Windfall" tax.

The exemption of the "First 10 barrels per well per day" will certainly help the small Royalty owners. I do hope you will get the necessary cooperation in getting the bill passed quickly.

You will notice on the photo copy of Ashland Oil check stub, I sent you, they have been deducting taxes from my royalty Income. For the month of April they deducted $292.36 and $220.17 taxes or a total of $512.53. This $512,53 plus the "Windfall" tax of $237.62 makes a total of $750.15 taxes deducted from my royalty income or $48.99 more than the royalty income I received.

If the Government needs more money why don't they they cut down the amount allotted to the various Commissions and eliminate many that are useless who are throwing millions and millions of dollars away so they can get the same appropiation next year.

I do hope you are successful in getting the necessary support in having the bill passed without delay.

Sincerely,

C. Reginald Ryley

P.S. I sent Senator Walter D. Huddleston and Congressman Larry J. Hopkins the same letter I wrote you but so far I have not heard from them.

CRR

In addition to above Taxes I have to pay Federal and State Income Taxes and County Taxes - ????

CRR

607 N. Morgan St.
Morganfield, Ky. 42437
May 15, 1980

1980 MAY 19 AM 10 34

Owens

Senator Wendell Ford
Washington, D.C.

Dear Sir:

My wife and I are glad to see you are running for election again this year so we can vote against you (instead of for you as we have in the past).

Anyone who went along with President Carter's hidden, unscrupulous methods in pushing thru the "oil windfall profit tax?" deserves no support.

At no time did Carter talk of taxing the small royalty holders and of only a small amount against the small independent operators (Everything was big oil, big oil). My wife and I have worked many years and hoped our investments would allow us to retire without struggling to live. Then he sticks it to us. And you go along with it. Thirty-five % of my check was taken to be given to his so-called poor people, who won't work (and will not even be required to gather all the trash scattered across our country).

Why don't you and Carter take 35% of your big salaries and throw it out to these people. I'm thankful we have two votes to use against you.

Sincerely,

Darrell E. Sturm

Oil windfall tax hits here

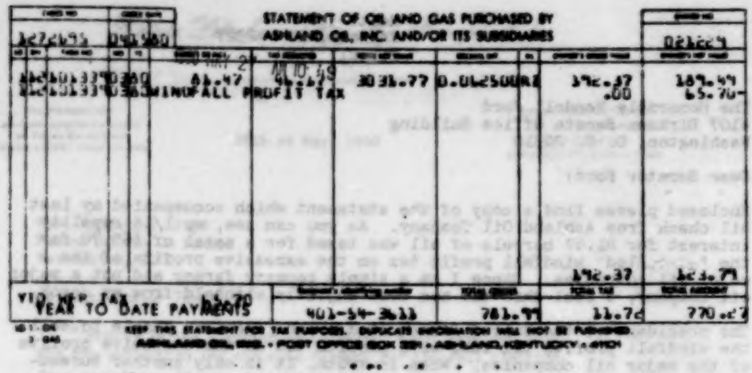
When President Carter's oil windfall profits tax was pending in the House and Senate, all of the talk was about "big oil." Nothing much was said, at least in the press, about the far-reaching effect of the tax that will bring billions of dollars to the federal bureaucracy.

First effect of the tax at the local level came last week when holders of oil royalty in Union County received their monthly checks. Many royalty holders who had paid little or no attention to the windfall profits tax while it was being debated, were shocked when they found that some 34 percent had been deducted from the gross value of their royalty.

An accurate estimate of the cost to Union County royalty owners is impossible to calculate, but based on 1979 production of crude oil and today's $38 per barrel market it could approach the million dollar figure.

We are pleased to learn that Congressman Carroll Hubbard voted against the windfall profits tax.

you instead of [illegible] the people
Congress, who went along with President Carter's
hidden [illegible] regarding the "oil
windfall profits tax" [illegible]
At this time that Carter talks [illegible]
small royalty holders [illegible]
against the [illegible]
[illegible] big oil [illegible]
many years and [illegible]
[illegible] struggling to live. [illegible]
[illegible] God and go along with it.
thirty-five percent [illegible]
given to the so-called poor people who won't work
and will not even [illegible] together all the
[illegible]
Why don't you and Carter take 35% of your
big salaries and throw it out to these people. I'm
thankful we have two votes to use against you.
Sincerely,
Russell E. [illegible]



STATEMENT OF OIL AND GAS PURCHASED BY
ASHLAND OIL, INC. AND/OR ITS SUBSIDIARIES

3272695	090980						025559
2062013370380	31.47	96.479	3031.77	0.0625000RI	392.37		187.47
2062013370380 WINDFALL PROFIT TAX					.00		65.70-
					392.37		321.79

YTD W/H TAX 65.70
YEAR TO DATE PAYMENTS

401-54-3611	781.97	11.70	770.27

1 - OIL
2 - GAS

KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE INFORMATION WILL NOT BE FURNISHED.
ASHLAND OIL, INC. • POST OFFICE BOX 391 • ASHLAND, KENTUCKY • 41101

Route 3
Calhoun, KY 42327
May 21, 1980

The Honorable Wendell Ford
4107 Dirksen Senate Office Building
Washington, D. C. 20510

Dear Senator Ford:

Enclosed please find a copy of the statement which accompanied my last oil check from Ashland Oil Company. As you can see, my 1/16 royality interest for 81.47 barrels of oil was taxed for a total of $65.70 for the "so-called" windfall profit tax on the excessive profits of the major oil companies. Since I am a simple country farmer and not a major oil company, I feel this tax has been unjustly withheld from my check.

The president of the United States lied to the American people to sell the windfall profits tax idea as a profits tax on the excessive profits of the major oil companies. When in truth, it is only another bureaucratic revenue bill imposed on the small independent oil producer and land owner. As you are aware, we the land owners, pay a higher percentage on this tax than do the major oil companies. The major oil companies will simply pass the tax burden on to the consumer in the form of higher fuel prices. We, the land owners, have to pay as we have no way of passing our share of the tax on to the consumer.

We have been farming around these wells, dranage pits, electric poles, tank batteries and water plant since 1962, and I can assure you all of this takes up a lot of valuable farm land on my property.

I urge you to strongly consider supporting legislation to remove the small, independent oil producer and land owner from this unjust and unfair tax. Our government should be encouraging the exploration of oil and gas at home. Instead, it seems the federal government is doing everything possible to make us solely dependent on foreign oil.

With the current low prices for all farm commodities and with all our production costs up from 1979, it is going to be very difficult for many farmers to survive.

I want to take this opportunity to thank you for your continued support of our tobacco support program. It seems that tobacco could prove to be the only farm commodity with a profit this current year.

Again may I urge you to strongly consider the removal of the unjust windfall profits tax from the land owner and small independent oil producer. Thank you very much.

Sincerely yours,

Thomas G. Lee

Thomas G. Lee

Estate Petroleum Royalty, Incorporated

704 "M" STREET
LOUISVILLE, KENTUCKY 40208

OIL PRODUCTION.
WATERFLOODING PROJECTS
35 YEARS EXPERIENCE
JESSE CURRY, PRES., OWNER

TELEPHONE 637-3755
937-5066
AREA CODE 502
INFORMATION WORLD WIDE

1980 MAY 28 AM 10 12

26th of May, 1980

Hon. Wendell H. Ford
Member of the US Senate
Washington, D. C.

My dear Senator Ford:

Tommorow is the Election in Kentucky, trust that you will win the nomination and can move forward for the fall election.

I do urge that you get a bill up to Amend the Wind Fall Profit Tax. I have had many calls urging me to write the Senate and Congress as we are now paying several thousand dollars per month here in Kentucky in taxes from our gross profits on crude oil which I verily believe is very unfair to parties whom furnish the funds for such projects. A reduced tax, say 25% of the reduced tax to go for Defense, 25% of the reduced tax to go on to the balancing of ths budget, 25% of the reduced tax to be paid back to the participants whom furnish funds for this increased oil production and the balance can be used to place people to work and others whom do not want to work, cut off all payments to all able body, we work here and elsewhere and have very few days off each year.

The Democrats in America will face a tough time in the fall election, we will loose all the funds comming from oil and gas producers everywhere, this will turn us around in the fall election in the high offices of he Democratic Party and we could go down to defeat. Please think this over and give me a reply sometime in the near future, as I will get copies to all people concerned.

Have a good day in Kentucky,

Jesse Curry

Jesse Curry

Committee
for
WENDELL H. FORD

712 Hurstbourne Park
9200 Shelbyville Road
Louisville, Ky 40222
502 426-[illegible]

Dear Jesse:

This is another in a series of reports to keep you informed of how my campaign for re-election to the U.S. Senate is progressing. As a friend and supporter I want to keep you aware of my plans and campaign related activities.

Even though we do not have major opposition, I intend to campaign as I always have and that is intensely and thoroughly. I intend to be campaigning in Kentucky as often as my Senate schedule will permit and hope to limit our spending to campaign necessities, while taking nothing for granted. Complacency could very well be our biggest obstacle this spring and fall—I need your continued help to keep that from happening.

One way your help can be invaluable is in letting your friends and neighbors know of my plans and by encouraging widespread display of the enclosed Ford bumper stickers to indicate there is interest in my race.

I am grateful for the efforts of my many friends who have contributed to whatever success I have been able to achieve in public life. Your interest and assistance in my race is appreciated more than you will ever know.

Sincerely,

Wendell

Senator Wendell H. Ford

Mr. Jesse Curry
10003 Third Street
Louisville, Kentucky 40272

Larry Greathouse, Treasurer • P. O. Box 1980 • Richmond, Kentucky 40475

A copy of our report is filed with the Federal Election Commission and is available for purchase from the Federal Election Commission, Washington, DC 20463.

1980 JUN 13 AM 9 08

June 10, 1980

The Honorable Wendell H. Ford
United States Senate
Washington, D. C. 20510

Dear Senator Ford:

I am a working petroleum geologist with over 40 years in exploration for oil and gas. There is now a greater emphasis on oil and gas exploration in your state. A windfall profits tax on royalty owners is most unfair.

I am 64 years old and enclose two Xerox copies of royalty checks for portions of March and April from Amoco and Sun. The Windfall Profits Tax on these two checks alone totals almost $900.00!! Royalty income is my retirement security. The Windfall Profits Tax was to be directed at the big oil companies with the 50-80-140% increase in profits and not the rancher, farmer, or geologist who may be lucky enough to secure royalty income.

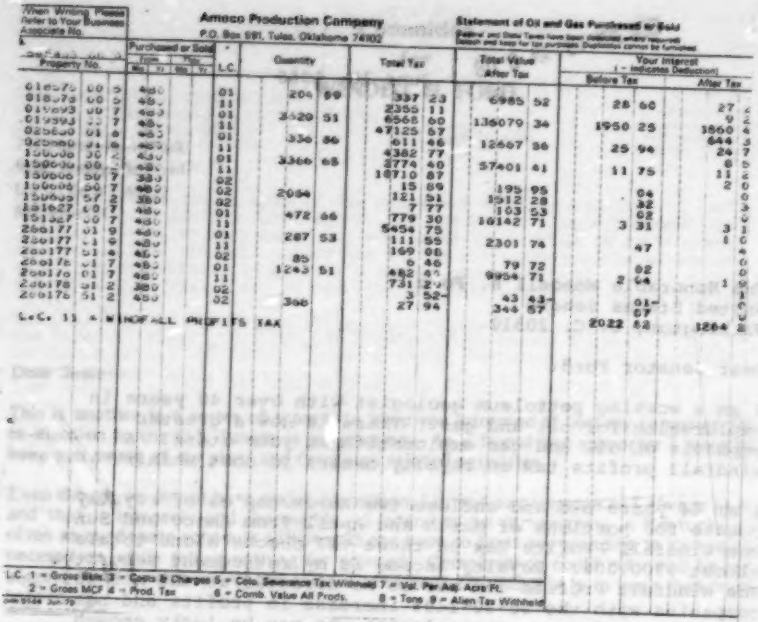
Your help in rectifying this inequity will be appreciated, as I will never be able to care for myself in my old age without this outside income.

Sincerely yours,

John V. Norman

John V. Norman
2921 Harlanwood Drive
Fort Worth, Texas 76109

JVN:mm
Enclosures



When Writing Please Refer to Your Business Associate No.

Amoco Production Company
P.O. Box 591, Tulsa, Oklahoma 74102

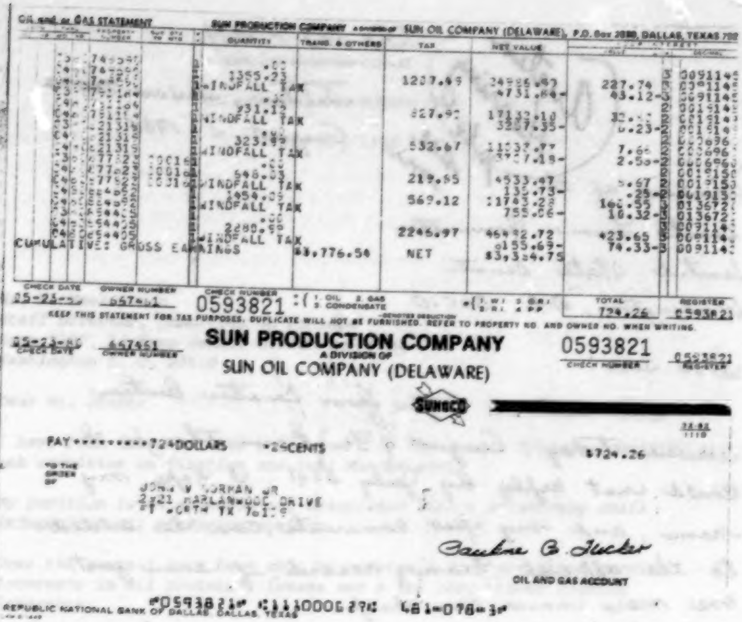
Statement of Oil and Gas Purchased or Sold
Federal and State Taxes have been deducted where required.
Detach and keep for tax purposes. Duplicates cannot be furnished.

Property No.			Purchased or Sold From Mo Yr	L.C.	Quantity		Total Tax		Total Value After Tax		Your Interest (– Indicates Deduction) Before Tax		After Tax	
018575	00	5	480	01	204	59	337	23	6985	52	28	60	27	2
018575	00	5	480	11			2355	11					9	2
019893	00	7	480	01	3520	51	6568	60	136079	34	1950	25	1860	4
019993	00	7	480	11			47125	67					644	3
025680	01	8	480	01	336	86	611	46	12667	36	25	94	24	7
025680	01	8	480	11			4382	77					8	5
150000	00	2	480	01	3300	65	2774	40	57401	41	11	75	11	2
150000	00	2	480	11			16710	87					2	0
150006	50	7	380	02			15	89	195	95		04		6
150006	50	7	480	02	2084		121	51	1512	28		32		3
150605	57	2	380	02			7	77	103	53		02		0
151627	00	7	480	01	472	66	779	30	16142	71	3	31	3	1
151327	00	7	480	11			5454	75					1	0
260177	01	9	480	01	287	53	111	55	2301	74		47		4
260177	01	9	480	11			169	08						0
260177	51	4	480	02	85		6	46	79	72		02		0
260178	01	7	480	01	1243	51	482	4	9954	71	2	64	1	9
260178	01	7	480	11			731	2						1
260178	01	2	380	02			3	52-	43	43-		01-		0
260178	51	2	450	02	300		27	94	344	57		07		0
											2022	82	1204	2

L.C. 11 = WINDFALL PROFITS TAX

L.C. 1 = Gross Bbls. 3 = Costs & Charges 5 = Colo. Severance Tax Withheld 7 = Val. Per Adj. Acre Ft.
2 = Gross MCF 4 = Prod. Tax 6 = Comb. Value All Prods. 8 = Tons 9 = Alien Tax Withheld

AM 9144 Jun-79



OIL and or GAS STATEMENT — SUN PRODUCTION COMPANY A DIVISION OF SUN OIL COMPANY (DELAWARE), P.O. Box 2880, DALLAS, TEXAS 752

QUANTITY	TRANS. & OTHERS	TAX	NET VALUE	VALUE		DECIMAL
.00					3	0091146
1355.23		1237.49	24986.62	227.74	3	0091146
WINDFALL TAX			4731.84-	43.12-	3	0091146
.00					2	0019146
931.12		827.92	17132.10	32.[illegible]	2	0019146
WINDFALL TAX			3207.35-	6.23-	2	0019146
.00					2	0020696
323.89		532.67	11032.77	7.66	2	0020696
WINDFALL TAX			3727.18-	2.55-	2	0020696
.00					2	0019150
548.03		219.55	4533.47	5.67	2	0019150
WINDFALL TAX			135.73-	.25-	2	0019150
1954.09		569.12	11743.28	160.55	3	0136722
WINDFALL TAX			755.06-	10.32-	3	0136722
.00					3	0091146
2280.99		2246.97	46482.72	423.65	3	0091146
WINDFALL TAX			9155.69-	74.33-	3	0091146
CUMULATIVE: GROSS EARNINGS	$3,776.54	NET	$3,334.75			

CHECK DATE 05-23-80 — OWNER NUMBER 667461 — CHECK NUMBER 0593821 — *(1. OIL 2. GAS 3. CONDENSATE — *(1. W.I. 3. O.R.I. 2. R.I. 4. P.P. — TOTAL 724.26 — REGISTER 0593821

*DENOTES DEDUCTION

KEEP THIS STATEMENT FOR TAX PURPOSES. DUPLICATE WILL NOT BE FURNISHED. REFER TO PROPERTY NO. AND OWNER NO. WHEN WRITING.

05-23-80 CHECK DATE — 667461 OWNER NUMBER

SUN PRODUCTION COMPANY
A DIVISION OF
SUN OIL COMPANY (DELAWARE)

0593821 CHECK NUMBER — 0593821 REGISTER

32-84
1110

PAY *********724DOLLARS *26CENTS $724.26

TO THE ORDER OF

JOHN W NORMAN JR
2221 HARLANWOOD DRIVE
FT WORTH TX 76109

Pauline C. Tucker
OIL AND GAS ACCOUNT

REPUBLIC NATIONAL BANK OF DALLAS, DALLAS, TEXAS

⑈0593821⑈ ⑆111000[illegible]⑆ 481-078-3⑈

Austin Hearing
pls see me

Tilden, Texas 78072
August 4, 1980

Members of the
Senate Finance Committee
United States Senate
Washington, D.C. 20510

Dear Sirs:

The enclosed letter from Senator Bentsen arrived today, August 4th. Even though I could not reply by July 31st, I hope my name, and my few comments, can be added to the official hearing record, if even just one more name can help.

I am a small royalty owner, having inherited my mother's (Vivian McKean) interests. Considering the amount taken from my checks, I am appalled at the amount of windfall to the big spenders in our government.

I am against the so-called windfall profit tax not only because it is unfair to the royalty owners and the independent oil companies, but also because this money will be squandered in absurd ways by these big spenders in our bloated government.

Respectfully,
Mildred Lowe
(Mrs. Arthur Lowe)

MACK OIL CO.
McCASLAND SHOPPING CENTER
P. O. BOX 400
DUNCAN, OKLAHOMA 73533

July 23, 1980

Mr. Michael Stern
Staff Director, Committee on Finance
Room 2227, Dirksen Senate Office Building
Washington D. C. 20510

Dear Mr. Stern:

I have been asked to make a statement to the Senate Finance Committee's sub committee on Taxation and Debt Management.

My position is as a geologist, associated with a relatively small independent oil producing company.

Over the years I have been able to acquire a few very minor working interests in oil producing leases and a few very minute royalty interests.

The cost of lifting oil from the earth and the overhead on working interest leases and/or wells continues to go up.

Since the so called "Windfall profits Tax" has been taken out, the expenses are so high due to inflation and the tax that the net, before income taxes, is very small.

The income from the above mentioned properties was intended to keep me and my family off the welfare rolls. As time goes on and these stripper leases produce less and less and the cost of producing goes up and up the economic limits will soon be reached. This will cause the leases to be abandoned early, thus depriving many people of a source of income. It also goes without saying that this vicious "Windfall Profits Tax" will result, due to early abandonment of leases, in leaving many barrels of our oil in the ground, never to be recovered. There is no doubt that this tax will also prohibit the investment of many millions of dollars, thus curtailing the search for new oil production that would add to our national reserves.

It is a known fact that the independent oil operators of this country are responsible for some 75% of the new oil found today. Because of this and the above mentioned factors it seems imperative that this tax should be eliminated or greatly reduced. Never in the history of this nation has there ever been a single industry to have such an excessive tax levied against it. For years the prices of oil and gas produced by the industry were held extremely low while the cost of material, equipment and labor with which to look for oil skyrocketed, causing drilling rigs to be stacked. This was one of the causes for the extreme energy crisis which we are enduring at this time.

It is my hope that you and your committee will give this your most sincere and studied consideration.

Yours very truly,

MACK OIL CO.

D M Putman

D. M. Putman

DMP:wn

COMMENTS

ON

ROYALTY OWNER EXEMPTION ON THE WINDFALL PROFITS TAX

ADDRESSED

TO

SUB-COMMITTEE ON TAXATION AND DEBT MANAGEMENT

Submitted by:

Robert E. Bash
Director of Local Activities
Ohio Farm Bureau Federation
Box 479
Columbus, OH 43216

August 1, 1980

The Ohio Farm Bureau is an organization of 83,000 family members. A large number of which live in eastern Ohio where oil and gas is currently being produced. Most oil production in Ohio is from stripper wells and most of the production is from landowners who are retired or part-time farmers who own 240 acres or less.

It is difficult to comprehend why the Congress would tax small landowners who are living on below average incomes and who have as a supplement to their income, payments from stripper oil production. That tax amounts to 36 percent of the gross check for the first quarter of taxation. It is difficult to comprehend this kind of a tax bite on low income families.

Most oil wells in Ohio are low production wells. The majority of them are stripper wells producing less than 10 barrels a day. They are, however, an important part of the income for farmers in this area. In Ohio where oil is found the farms are small and the income from farming is even more depressed than the general farm income level. For these farmers when there is a price increase in the price of oil that may be sold from the land, the government takes away a part of the gross by an excise tax on each barrel of oil. If government can take a portion of their gross income in oil production, we foresee the taking of a portion of the gross return from sod sales, gravel sales or a portion of the milk check whether or not the farmer makes any money. We don't think this is a reasonable approach for government.

Many semi-retired farmers in eastern Ohio are in the low income category and eligible for energy assistance. In those circumstances the government is taking money out of their income check and giving it to businesses, residential property owners or other low income families for energy assistance. This has the appearance of income transfer.

The organization supported the Bentson Amendment for passage of the windfall profits tax and we continue to support such a provision that provides some protection and assurance that oil production and exploration might be continued by independent producers and there be some incentives for royalty owners to lease their land and make available the energy that is so needed in our country to reduce oil imports.

We Believe:

1) Three classes of people pay crude oil excise tax - independent producers, royalty owners and consumers of petroleum products.

2) The tax curbs the ability of independent producers to maximize production of oil and gas.
3) Income transfers deter effective working of our economic system.
4) The tax curbs landowner incentive for leasing land. The landowner would be smart to delay leasing until the tax expires and prices increase.
5) The tax should be deductible from income for income tax purposes. Tax on tax already paid is double taxation in the worst form.
6) The bill hinders the ability of the U.S. to reduce oil imports to a minimum level and curbs our ability to improve our trade balance to a maximum benefit of the U.S.
7) The life of low producing wells could be increased by reducing the tax for independent producers. The 1,000 barrels per day which enjoys the reduced tax rate for tier #1 and tier #2 production is good but to obtain maximum production the tax rate should be reduced further.
8) Working farmers and retired landowners should not be taxed. It seems that members of the Congress from non-producing areas have only the major oil companies in view and do not look clearly at the forest that is being attacked by the blight of the crude oil excise tax.
9) Royalty owners should be totally exempt from the crude oil windfall profits tax. If they have the ability to pay, the IRS will collect it in income tax.
10) The rational that classifies royalty owners with the major oil companies is beyond a landowner's comprehension.
11) Independent producers should have at least 1,000 barrels per day of production exempted from tax. Independent producers by their numbers are the mainstay of U.S. energy production and do not produce huge volumes individually. Therefore, their ability to develop resources should not be hindered.

FISHER, ROCH & GALLAGHER
ATTORNEYS AT LAW
2800 TWO HOUSTON CENTER
FANNIN AT McKINNEY
HOUSTON, TEXAS 77002
AC 713 654-4433

MICHAEL W. PERRIN

August 4, 1980

Re: Windfall Profits Tax -
Investigation on Exempting
Royalty Owners from
Windfall Profits Tax.

Mr. Michael Stern
Staff Director
Committee of Finance
Room 2227
Dirksen Senate Office Building
Washington, D.C. 20510

Dear Mr. Stern:

I have read with increasing alarm the problems that many citizens are suffering from the impact of the "Windfall Profits Tax." In my opinion, the tax, while deficient in many respects, is most unfair in its impact upon the many people who have acquired royalty interests for retirement, as a derivative interest of owning agricultural land, and through other means, including planning for retirement income to supplement social security.

Due to my absence from the office, I did not know of the hearings being conducted by Senator Lloyd Bentsen and Senator David Boren in time to make a more detailed comment upon this tax.

Because of my inability to prepare, and the nearness of the deadline of August 8th, I am enclosing for your review a copy of an editorial from the Houston Post on August 1st, 1980, which succinctly describes one of the problems.

I wholeheartedly support the efforts of Senators Boren and Bentsen to exempt low income royalty owners.

Please let me know if I can be of further assistance.

Sincerely yours,

Michael W. Perrin

Michael W. Perrin

MWP:mw

2D /The Houston Post/ Fri., Aug. 1, 1980

Post/commentary

The other oilmen

It sounds luxurious: to live off one's oil royalties. But if the only income you have is a Social Security check and a small royalty check, the living is scarcely luxurious. To have a big bite taken out of the royalties by the windfall profits tax has hurt hundreds of thousands of Americans. Congressmen and their constituents from states that do not produce oil seem to see the oil business only in terms of big companies and top executives. The windfall profits tax was passed on the basis of that illusion. But the oil business is important to the basic welfare of many people who have never been rich and who never will be rich. To them, the oil royalty was their security against old age. Now that security has become abruptly smaller.

Sen. David L. Boren, D-Okla., attacks the myth that royalty owners are rich oilmen. Most are not. "Few have any interest in oil companies," he explains. "Retired farmers make up the largest group of royalty owners. A majority of the 4,000 who recently attended finance committee hearings were Social Security recipients. A recent study of Oklahoma royalty owners found that 54 percent received a check of less than $200 a month." He cites the couple who lived on a monthly Social Security check of $179 and an $80 monthly royalty check. The windfall profits tax cut their royalty payments from $80 to $50.

Houstonians added their protests in recent Senate Finance Committee hearings held in Austin. Approximately 1,000 farmers, ranchers and small royalty owners were there. They resent the fact that the windfall profits tax treats 2 million small royalty owners exactly as it does large, multinational oil corporations — taxing small and large at the same rate. James L. Powell of the Texas and Southwestern Cattle Raisers Association told the committee, "Many of these small royalty owners are working ranchers and farmers who depend on modest royalty checks to supplement their depressed farm and ranch income."

Sen. Lloyd Bentsen of Texas and Boren are part of a congressional movement to modify the windfall profits tax law to exempt low-income royalty owners. Several approaches are being considered. Bentsen's bill would exempt royalty owners and independent producers from the windfall profits tax on the first 1,000 barrels of daily production. Sen. Bob Dole, R-Kan., and 30 other senators would exempt only the first 10 barrels of daily production. The Senate Finance Committee has approved a measure to provide a one-time $1,000 tax credit for royalty owners during 1980.

The senators need to keep in mind a clear picture of the people needing this help — Americans who need the oil royalties to have a modest or adequate living standard, or perhaps even to survive. The various approaches must be shaped into one effective piece of legislation quickly. The drop from $80 a month to $50 a month in a royalty check cannot long be borne by a couple whose total income was no more than $250 at best.

July 8, 1980

The Honorable Lloyd Bentsen
United States Senator
United States Senate
Washington, D. C. 20510

Dear Lloyd:

I have received your letter concerning the effect of the so-called windfall profits tax on royalty owners. I am in accord with the legislation you are sponsoring.

I think most of our Texas royalty owners as well as royalty owners in other states assumed that the tax would only affect the excess profits of major oil companies and would not apply to those landowners who had a royalty interest. It has been a shock to a number of our clients in this area and I have received many calls complaining of the same. They are depleting their land when the oil is removed and it cannot be replaced. Many of these people rely on this royalty income to survive. Many others rely on it to continue their farming activities. Many are widows and are affected greatly by the tax.

I regret due to a court setting I will not be able to be with you in Austin on July 17th but I do desire you to know this legislation which you sponsor should be passed as it is not fair to the landowner. If such a tax is fair then there should be a tax of a like nature on other products taken from the land and this would certainly not be fair. It is an excise tax and it is not an excess profits tax.

This also gives me an opportunity to send you warmest personal regards.

Sincerely,

H. C. Petry

HCP/bjb

RICHARD C. WHITE
16th District, Texas

Washington Office:
[illegible] Rayburn House Office Building
Washington, D.C. 20515
Telephone: Area Code [illegible]

District Office:
Room [illegible] United States Courthouse
El Paso, Texas [illegible]
Telephone: Area Code [illegible]

213 East [illegible] Street
[illegible], Texas [illegible]
Telephone: Area Code [illegible]

Congress of the United States
House of Representatives
Washington, D.C. 20515

Committees:
ARMED SERVICES
CHAIRMAN, MILITARY PERSONNEL SUBCOMMITTEE
MILITARY INSTALLATIONS AND FACILITIES SUBCOMMITTEE
SCIENCE AND TECHNOLOGY
ENERGY DEVELOPMENT AND APPLICATIONS SUBCOMMITTEE
ENERGY RESEARCH AND PRODUCTION SUBCOMMITTEE

July 23, 1980

Honorable Lloyd Bentsen
Senate Finance Committee
2227 Dirksen Building
Washington, D.C.

Dear Lloyd:

Thank you for your recent correspondence announcing the hearing which you conducted in Austin regarding the impact the windfall profits tax is having on royalty owners. It is my privilege to submit the following statement to be included in the hearing record.

Certainly one of the most unjust results of the windfall profits tax is its treatment to two million royalty owners across the nation. These individuals--many of whom are farmers, ranchers and retirees--have traditionally received nominal revenues from their royalty interests and under no circumstances should they be placed in the same category as the integrated oil companies. Yet, the windfall profits tax has thrown these unsuspecting citizens into the same corner as major companies by imposing on production at the wellhead a 70% tax on Tier I oil and a 60% tax on Tier II oil.

It should be noted, as an aside remark, that in Texas most royalty owners derive their revenue from stripper wells which produce Tier II oil. It is my contention that stripper wells should be exempt altogether from the tax since they have been decontrolled for four years, long before emergence of the windfall profits tax concept.

This tax has had a disastrous effect upon the annual income of many royalty owners. A common thread among constituents who have contacted me is their dependence upon the small amount of income they derive from royalty ownership. The following example depicts the tragic impact this tax has had on one West Texas woman who, for health reasons, is unable to support herself. Her great aunt took responsibility for her and left a testimentary trust which provided her with approximately $1000 a month, of which oil royalties comprised $583.47. The windfall profits tax is now depriving this woman of $201.69 per month, approximately 20% of her monthly income.

Honorable Lloyd Bentsen
July 23, 1980
Page Two

I don't believe that Congress, in passing the windfall profits tax bill, intended to strike down the person who depends for a living on small amounts of royalty interest. These individuals have absolutely no recourse short of allowing their leases to expire without renewal, thus leading to less oil production, which this nation can ill afford.

I appreciate the opportunity to express these views, and I urge immediate action by the 96th Congress to adopt legislation exempting royalty owners from the windfall profits tax.

Thank you, and with best wishes, I am

Sincerely yours,

Dick

Richard C. White
Member of Congress

RCW:lg

July 5, 1980
Box 504 Breckenridge, Tex
76024

Michael Stern
Senate Finance Comm.
2229 Dirksen Senate Office Bldg.
Washington D.C. 20510

Dear Micheal:

Thank you for making us aware of this public hearing by the Senate Finance Comm. We are more than happy to send our comments on the Windfall Profits tax law, and pending legislation to reduce or eliminate the tax.

We are proud to be american citizens and live in this great land of ours, where we are able to express our concern about how things are done.

It is really hard on the small royalty owners, especially we who are retired, and trying to get by with inflation the way it is. We have just recieved notices of a good sized tax increase on the royalty, from the City, County, & School. By the time we get through paying taxes we will have to borrow money to live on, which really doesn't make sense.

We support Senator Bentsen and his efforts 100% and we pray he can get rid of this burdensome tax law.

Thanking you again
Wayne & Dorothy Robbins

July 22, 1980

Mr. Michael Stern
Staff Director
Finance Subcommittee on Taxation and Debt Management
Room 2227
Dirkson Office Building
Washington, D.C. 20510

Re: Statement of Calvin H. Sugg to the Finance Subcommittee on Taxation and Debt Management in Opposition to Windfall Profits Tax

Gentlemen:

It is my understanding that your committee is considering several pending bills aimed at repealing or lessening the burden of the windfall profits tax as it affects royalty owners.

I want to join with the multitude of other land owners, royalty owners and other interested parties and to put on record with your committee, my opposition to the windfall profits tax as a whole and in particular to the windfall profit tax on royalties.

First I should explain that I am a land owner and a royalty owner.

I am opposed to the windfall profits tax in principle because it was a deceptive type of legislation imposing an unfair and unequal tax against a group of "risk takers" who through hard work, perserverance, intelligence, cooperation and gambles had, before government interference, made this country energy self-sufficient and in the process had realized the American dream and opportunity of being "successful" as gauged by money earned. The legislation was deceptive because it adopted a catch name to appeal to and to gain the support of the masses. It is not a "profits" tax at all, because it matters not whether the taxed party is making a profit; he pays the tax even if he is losing money which is the case in many instances. The tax is simply an excise tax against a barrel of oil. If it is a tax on private property to furnish more funds for social programs, then say so right out in the open so voters can judge the act of its passage or failure of its repeal.

I oppose the tax as a whole because it, in my opinion, discourages leasing, exploration and production, at a time when our nation most sorely needs it. While our government is thusly discouraging domestic leasing, exploration and production, it encourages our dependence on foreign sources and at the same time allows our foreign producers to "profiteer" away with our monetary resources, free of profits taxes and free of regulation. From my observation it appears, also, that our government, while levying such unfair taxes and regulating our prices to below market levels, is allowing and even encouraging our suppliers to pay to our foreign producers such as the Arabs, the African and South American nations, Mexico and Canada even higher prices than they are allowed to pay for domestic oil. Is it fair and honest for our government to levy taxes on a barrel of oil to prevent our royalty owners, landowners and operators from making too much money while at the same time allowing suppliers to purchase such barrels of oil from those other countries at higher prices than they are allowed to pay our own citizens and pass the costs of those higher prices on to our own citizens? It is grossly unfair, discriminatory against our own people, impractical and as an energy policy, suicidal.

I am opposed to the windfall profits tax as it affects royalties, in particular for the following reasons:

1. It discourages landowners from leasing their lands for oil and gas exploration. Already their lands are torn up from such operations; already proportionately they receive very little of the benefits of the oil found under their lands, the land owners' share ranging customarily from 1/8th to 3/16ths thereof and in "hot" areas maybe 1/4th; so now our government has added a tax of 30%, minimum, to the retained interest to go on top of the income tax thereon after taking away the bonus depletion and what incentive is left to lease the lands? If you lease and retain a royalty, you are just asking for a lot of interference with your surface operation, damage to your land, accountants and lawyers' fees to determine what type of oil, what tier of pricing, is it stripper production or not, and what taxes do you owe; and for what, an over-taxed barrel of oil while you end up with 20¢ on the dollar, if you are lucky. In this connection, I might add that all local taxing authorities get in their licks for their share of taxes on royalties also.

2. It is encouraging operators to delay and postpone drilling operations so as to avoid certain tax tiers and get the benefit of others. I have had occasion within the last month to know of three instances in which operators who had an obligation to drill wells were asking for extensions of drilling obligations until after January 1, 1981, in order to avoid what they reported were effects of windfall profits tax legislations and regulations.

3. Royalties have grown to be a major prop or support for agricultural operations. If it weren't for the royalties received by farmers and ranchers, many of them would have gone broke at one time or another. When prices for farm and ranch products are low, many farmers and ranchers can continue to operate by relying on their royalty income. When droughts hit,

which is happening with great frequency, the royalties keep them going again. The royalties received largely furnish the finances for conservation practices, productivity incentives, such as irrigation and fertilizing, herd improvement measures, and most important of all, servicing the debts on our lands, crops and livestock because the so called profits we make on agriculatural operations will not even pay the interest on our debts with the high rates of today.

4. Many elderly and retired persons rely on royalties accummulated during their lifetimes for a principal portion of their support; without the full untaxed benefit of same, they might well have to look to some other source of funds for their support.

5. The royalty owner seems to be treated as a step-child when it comes to tax and pricing legislation. Under the act and regulations the royalty owner is not even allowed to be taxed at the lower level as an independent producer. The royalty owner must pay the highest rate of tax along with the oil giants. The land owner-royalty owner has been deprived of the depletion allowance on the bonus received when he leases his land and relinquishes over 80% of his minerals to the lessee-operator, while that operator is allowed various and sundry depletion allowances. If it is a tax of the big businesses' profits from oil production for their excess profits realized primarily from inflationary and demand pressures, why tax the little royalty owner, who really does not have much to say about the price he gets. He usually must take whatever the operator says. Is the little royalty owner receiving an unfair profit on his one barrel out of eight? Were General Motors and their shareholders picked out and separately taxed when they made too much profit to suit some people; were A. T. & T. and their shareholders or were the members of labor unions taxed when their contracts were negotiated for wage increases in excess of wage guidelines? No; so why are we taxing the royalty owner's barrel of oil simply because the price has increased in an open market. The windfall profits tax act doesn't even allow a normal inflation factor of untaxed increase. Furthermore, it matters not whether you were receiving a government regulated confiscatory price on the base date for your one barrel in eight of royalty oil, the government allowed increase in the already too low price is subject to the tax.

In ending I would like to make one last observation concerning the windfall profits tax act. It appears to me that it comes very close to that dreaded nationalization of an industry. By the act our government has made itself an unwanted partner of all aspects of the oil business. By the act it has come in and taken over from 30% to 60% of the gross revenues of the oil business over an arbitrary level, and for that interest it gave nothing; it bears no risk; it pays no overhead; it pays no taxes; it pays no administration expenses; it takes no gamble and it invests no time, man power or intelligence. It just gobbles up 30% to 60% of the gross. Not many businesses can bear the burden of such a partner for even a little while and none can bear such a partner for long.

I oppose the windfall profits tax and I urge its repeal as it affects royalties and royalty owners.

Calvin H. Sugg

STATEMENT OF KENT R. HANCE, M.C.
before the
SENATE FINANCE COMMITTEE
SUBCOMMITTEE ON TAXATION AND DEBT MANAGEMENT

I want to thank members of the Subcommittee for allowing me the opportunity to offer testimony concerning this important issue. I especially want to acknowledge the efforts of Senator Lloyd Bentsen of the Subcommittee to assist both me and the taxpayers in this matter. Senator Bentsen has provided excellent leadership in the efforts to enhance this country's energy posture. As an opponent of the concept of a windfall profits tax in general, I am pleased to be able to present my thoughts and observations to the Subcommittee concerning the impact of the tax on royalty owners.

First of all, let me say that the entire tax is counterproductive. Taxing in this manner the earnings of 1.2 to 1.5 million royalty owners is unconscionable. While the tax was being considered in the House, I made every effort to amend the bill to exempt all royalty owners and independent producers up to 3000 barrels per day. I will continue my efforts to secure such an exemption.

In the State of Texas alone there are approximately 650,000 royalty owners whose interest in production is less than 5 barrels a day. I have received calls and letters from elderly widows whose $70 royalty checks have been reduced to $40. In fact, the average royalty owner's check has been reduced from 32 to 34 percent.

Not only has this tax adversely affected the individual royalty owner, but it has also had disastrous consequences for non-profit organizations such as the Lubbock Children's Home. In this case alone, the Home's operating revenue will be decreased by $25,000 in 1980. Currently I am working closely with several other members of the Texas delegation to exempt such institutions from the tax.

The tax will impact royalty owners in still another manner. Over 530,000 of the oil wells in this country are stripper wells. These wells, which provide 14 percent of the daily production in the United States, are being shut-in at an amazing rate. It has been estimated that 84,000 of these wells will no longer be in operation in 1981 because the funds that would have been used to operate the wells are now being paid to the federal government as the "windfall profits tax." By 1985, 370,000 stripper wells may be shut down because they will cost too much to operate. The nation will then have to pay OPEC for oil that is kept in the ground and Americans whose wells were shut in will no longer receive any royalty income.

This so-called "windfall profits tax" amounts to nothing more than a reverse tariff as it places a restrictive tax on domestically produced oil, but totally exempts foreign produced oil. This simply works against our efforts to reduce our dependence on foreign oil.

Gentlemen of the Committee, I hope you will join me in forthcoming legislation to relieve the burden of this unfair and unmanageable tax. Our nation must become energy independent once again. To achieve this goal, however, we must pass legislation soon to reverse many of the abuses being suffered by royalty owners and producers as a result of the "windfall profits tax." Thank you.

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